

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 12, 2024

NEW ISSUE – BOOK-ENTRY-ONLY
DAC Bond

RATING: S&P: AA-
(See “**MISCELLANEOUS—Rating**” herein)

*In the opinion of Pope Flynn, LLC, Bond Counsel to the District, under existing law, assuming continuing compliance by the District with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the “Code”). Such interest is, however, included in the “adjusted financial statement income” of certain corporations that are subject to the corporate alternative minimum tax imposed under Section 55 of the Code. In the opinion of Bond Counsel, the Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. The Bonds have been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Code. See “**TAX MATTERS**” herein for a description of these and other tax considerations.*

\$4,500,000*

JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS, SERIES 2024

Dated: Delivery Date

Due: April 1, as shown on inside cover

James Island Public Service District, South Carolina (the “**District**”) is issuing its \$4,500,000* General Obligation Bonds, Series 2024 (the “**Bonds**”). The Bonds are being issued to provide funds (i) to reimburse or defray, as applicable, the costs of the acquisition, design, equipping, improvement, rehabilitation, and construction of a new Fire Station #2 in furtherance of the public safety operations of the District, and (ii) to pay the costs of issuance thereof. The Bonds are secured by an irrevocable pledge of the full faith, credit and taxing power of the District, and are payable from an annual tax, without limit as to rate or amount, on all taxable property within the District sufficient to pay principal and interest as the Bonds mature.

The Bonds are issuable in fully registered form and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), to which principal and interest payments on the Bonds will be made. Individual purchases of the Bonds will be made in book-entry form only, in the principal amounts of \$5,000 each or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year. So long as Cede & Co. as nominee of DTC is the registered owner of the Bonds, references herein to the holders of the Bonds or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the Direct Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See “**THE BONDS—Book-Entry-Only System**” herein. U.S. Bank Trust Company, National Association will serve as Registrar and Paying Agent for the Bonds.

The Bonds are subject to optional [and mandatory sinking fund] redemption as set forth herein. See “**THE BONDS—Redemption**” herein.

The Bonds will be dated the date of delivery thereof, and will mature on April 1 in each of the years and in the principal amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is first payable on April 1, 2025, and semiannually thereafter on each April 1 and October 1 until the Bonds are paid in full.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The interest rates with respect to the Bonds are the result of a successful bid from _____. The reoffering information has been provided by such companies submitting the winning bids. The Bonds are offered when, as, and if issued and subject to the approving opinion of Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel, as to legality. Pope Flynn, LLC, Columbia, South Carolina, will also serve as Disclosure Counsel. Rosen Hagood, LLC, Charleston, South Carolina, is serving as counsel to the District. Compass Municipal Advisors, LLC, Columbia, South Carolina, is serving as Financial Advisor to the District in connection with the sale and issuance of the Bonds. It is expected that the Bonds in definitive form will be available for delivery on or about December 4, 2024.

Date of Official Statement:

* Preliminary, subject to change.

MATURITY SCHEDULE*

\$4,500,000*
JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS, SERIES 2024

<u>April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u> [†]
2025	\$595,000				
2026	10,000				
2027	50,000				
2028	120,000				
2029	120,000				
2030	130,000				
2031	135,000				
2032	135,000				
2033	135,000				
2034	140,000				
2035	140,000				
2036	160,000				
2037	165,000				
2038	170,000				
2039	175,000				
2040	170,000				
2041	175,000				
2042	180,000				
2043	180,000				
2044	185,000				
2045	185,000				
2046	185,000				
2047	295,000				
2048	290,000				
2049	275,000				

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association (“*ABA*”). CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

For purposes of compliance with Rule 15c2-12 (“*Rule 15c2-12*”) of the U.S. Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time to time (collectively, the “*Official Statement*”), may be treated as an “Official Statement” with respect to the Bonds described herein that is deemed final as of the date hereof (or as of the date of any such supplement or correction) by the District. The preliminary Official Statement, when further supplemented by a final Official Statement specifying the interest rates, principal amounts, in the aggregate and per maturity, and delivery dates of the Bonds, together with any other information required by law, shall constitute a “final Official Statement” of the District with respect to the Bonds, as that term is defined in Rule 15c2-12. Any addendum or amendment shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representation may not be relied upon as having been authorized by any of the foregoing.

Compass Municipal Advisors, LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange.

All quotations from and summaries and explanations of the laws of the United States of America and of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and the Bond Resolution are qualified in their entirety by reference to the definitive forms of such documents. All summaries, explanations and references are further qualified in their entirety by reference to the exercise of the sovereign powers of the State and the constitutional powers of the United States of America, and to the valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

U.S. Bank Trust Company, National Association, as Paying Agent and Registrar, has not provided, or undertaken to determine, the accuracy of any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax-exempt status of the interest on the Bonds.

Reference herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to laws, rules, regulations, agreements, reports and other documents are qualified in their entirety by reference to the particular laws, rules, regulations, agreements, reports and other documents, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

In connection with the offering of the Bonds, the underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CERTAIN INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT MAY HAVE BEEN OBTAINED FROM SOURCES OTHER THAN RECORDS OF THE DISTRICT AND, WHILE BELIEVED TO BE RELIABLE, IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE DATE HEREOF.

The information contained in **APPENDIX F** under the heading “**DTC AND BOOK-ENTRY ONLY SYSTEM**” has been obtained from The Depository Trust Company, and no representation is made by the District as to the completeness or accuracy of such information.

The District designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of this Official Statement to each participating underwriter. Any underwriter executing and delivering a bid with respect to the Bonds agrees thereby that if its bid is accepted by the District (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Bonds for purposes of assuring the receipt by each participating underwriter of this Official Statement.

Cautionary Statement Regarding Forward-Looking Information

This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “budgets” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the District’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA

1739 Signal Point Road
Charleston, South Carolina 29412

James Island Public Service District Commission

Marilyn Clifford, *Chair*
Brenda Grant, *Vice Chair*
Ronald Ladson, *Secretary*
Inez Brown Crouch
Paul S. Cantrell
Susan Milliken
Kathy Woolsey

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Columbia, South Carolina

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SUMMARY STATEMENT

This Summary Statement briefly describes the contents of this Official Statement and is expressly qualified by reference to the entire contents hereof, including appendices, as well as the documents summarized or described herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, and no person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

- Official Statement: This Official Statement is provided for the purpose of furnishing certain information in connection with the issuance by James Island Public Service District, South Carolina (the “**District**”) of its \$4,500,000* General Obligation Bonds, Series 2024 (the “**Bonds**”), which will constitute general obligation bonds of the District. This Official Statement has been prepared under the supervision of the District, acting through the District Manager. The information furnished herein includes a description of the Bonds, the District, and certain financial, economic, legal and tax data, as well as other matters.
- The District: The Bonds are being issued by the District, a body politic and corporate and a political subdivision of the State of South Carolina (the “**State**”). The District is governed by the James Island Public Service District Commission (the “**Commission**”). The District had an estimated 2022 population of approximately 18,364, and comprises approximately 12.35 square miles of Charleston County, South Carolina (the “**County**”). The area of the District generally consists of portions of James Island and smaller islands between James Island and the Island of Folly Beach.
- The County: The County is located in the eastern portion of the State and encompasses approximately 945 square miles and nearly 100 miles of coastline along the Atlantic Ocean that stretches from Cape Romain National Wildlife Refuge to rural Edisto Beach. The County’s population is estimated to have grown from 350,209 to 408,235 between 2010 and 2020. The County has 16 incorporated municipalities within its borders, including the Town of James Island. The City of Charleston, the City of North Charleston, and the Town of Mt. Pleasant are the largest incorporated municipalities in the County.
- Details of the Bonds: The Bonds will be general obligation bonds of the District; will be issuable in fully registered form and, when issued, will be registered to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”); will be dated the date of delivery thereof; and will bear interest from their dated date at the rates shown on the inside cover hereof, payable initially on April 1, 2025, and semiannually thereafter on April 1 and October 1 of each year until they mature. The Bonds will mature on April 1 in each of the years and in the principal amounts set forth on the inside cover hereof. See “**THE BONDS**” herein for further information.
- Authorization: The Bonds are being issued pursuant to and in accordance with the Constitution and laws of the State, including Article X, Section 14, of the Constitution of the State of South Carolina, 1895, as amended; Title 6, Chapter 11, Article 5 and Section 11-27-40 of the Code of Laws of South Carolina 1976, as amended; an ordinance of the County Council of the County dated June 6, 2023; and a bond resolution of the Commission adopted on October 28, 2024 (the “**Bond Resolution**”). Certain terms used throughout this Official Statement and not defined have the meanings ascribed to them in the Bond Resolution.
- Security: For payment of the principal of and interest on the Bonds, the full faith, credit and taxing power of the District are irrevocably pledged. Pursuant to Section 6-11-990 of the Code of Laws of South Carolina 1976, as amended, the auditor of the County must levy, and the treasurer of the County must collect a separate *ad valorem* tax, without limit, on the taxable property within the District sufficient to pay principal and interest payments as they come due, and to create such sinking fund as may be necessary therefor. These statutory duties may be enforced through a writ of *mandamus*.
- Redemption: The Bonds maturing on or after April 1, 2034, are subject to optional redemption prior to their stated maturities beginning on or after October 1, 2033, as provided herein. [Bonds may also be issued as term bonds and subject to mandatory sinking fund redemption at the discretion of the District.] See “**THE BONDS—Redemption**” herein.
- Purpose: The Bonds are being issued by the District to defray or reimburse, as applicable, the costs of the Project (as defined herein) and the costs of issuance of the Bonds.

* Preliminary, subject to change.

Tax Status: In the opinion of Pope Flynn, LLC, Bond Counsel to the District, under existing law, assuming continuing compliance by the District with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the “*Code*”). Such interest is, however, included in the “adjusted financial statement income” of certain corporations that are subject to the corporate alternative minimum tax imposed under Section 55 of the Code.

In the opinion of Bond Counsel, the Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. See “**TAX MATTERS**” herein for a description of these and other tax considerations.

The Bonds have been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Professionals: U.S. Bank Trust Company, National Association, Columbia, South Carolina, is serving as Registrar and Paying Agent for the Bonds. Pope Flynn, LLC, Columbia, South Carolina, is acting as Bond Counsel and Disclosure Counsel to the District. Rosen Hagood, LLC, Charleston, South Carolina, is serving as counsel to the District. Compass Municipal Advisors, LLC, Columbia, South Carolina, is acting as Financial Advisor to the District.

Financial Statements: The audited financial statements of the District for the fiscal year ended June 30, 2023, included in **APPENDIX A** attached hereto, have been audited by Love Bailey & Associates, LLC, Certified Public Accountants, as stated in that firm’s report appearing in **APPENDIX A** attached hereto.

Terms of Offering: The Bonds are being issued in book-entry-only form. It is expected that the Bonds will be delivered to Cede & Co., at the offices of DTC, on or about December 5, 2024, and will be available for credit to the accounts of the Direct Participants (as defined herein) and, through them, the Beneficial Owners (as defined herein) on such date. Information on limitations on transfer of ownership is set forth in “**THE BONDS—Book-Entry-Only System**” herein and **APPENDIX F** attached hereto.

General: This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access (“*EMMA*”) system at www.emma.msrb.org. Copies of the Official Statement are available at <https://compassmuni.com/statements.php> (which is not intended as an active hyperlink).

This Official Statement, including the cover and inside cover pages and attached Appendices, contain specific information relating to the Bonds, the District, the County and other information pertinent to this issue. All information included in this Official Statement has been provided by the District except where attributed to other sources. The summaries and references to all documents, statutes, reports, and other instruments referred to do not purport to be complete, comprehensive, or definitive, and each reference or summary is qualified in its entirety by reference to each document, statute, report, or other instrument.

OFFICIAL STATEMENT

\$4,500,000*
JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
GENERAL OBLIGATION BONDS,
SERIES 2024

INTRODUCTION

This Official Statement of the James Island Public Service District, South Carolina (the “*District*”), including the cover and inside cover page, Summary Statement, and Appendices, sets forth certain information concerning the District, Charleston County, South Carolina (the “*County*”), the District’s \$4,500,000* General Obligation Bonds, Series 2024 (the “*Bonds*”), and certain financial, economic, legal and tax information, as well as other matters. This Official Statement has been prepared under the supervision of the District, acting through its District Manager.

THE BONDS

Authorization for the Bonds

The County Council of Charleston County, as the governing body of the County (the “*County Council*”), is empowered by Sections 6-11-810 through 6-11-1050, inclusive, of the Code of Laws of South Carolina 1976, as from time to time amended (hereinafter called the “*Authorizing Act*”), to authorize the governing body of any special purpose district of the State of South Carolina (the “*State*”) located within the County, and created by act of and vested with governmental power by the General Assembly prior to March 7, 1973, to issue general obligation bonds of the district to provide funds to be used in the furtherance of any power or function of the special purpose district.

Pursuant to the Authorizing Act, the James Island Public Service District Commission, the governing body of the District (the “*Commission*”), requested the County Council to approve the issuance and delivery of not exceeding \$6,500,000 of general obligation bonds to finance the Project (as defined below). Upon request of the Commission, the County Council approved by ordinance not exceeding \$6,500,000 of general obligation bonds of the District to finance the Project on June 6, 2023 (the “*Approving Ordinance*”). The District issued its \$2,000,000 General Obligation Bond, Series 2023 on October 12, 2023 (the “*2023 GO Bond*”). After accounting for the issuance of the 2023 GO Bond, the District retains a balance of \$4,500,000 of authorized borrowing capacity under the Approving Ordinance.

In order to provide for the financing of the costs of a portion of the Project, on October 28, 2024, the Commission adopted a resolution providing for the issuance and sale of the general obligation bonds in an amount not exceeding \$4,500,000 (the “*Bond Resolution*”). Any terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Bond Resolution.

Purpose

The Bonds are being issued in order to (A) reimburse the District for, and defray the costs of, the acquisition, design, equipping, improvement, rehabilitation, and construction of a new Fire Station #2 in furtherance of the public safety operations of the District (the “*Project*”); and (B) defray the costs of issuance of the Bonds. The total cost of the Project is expected to be \$6,500,000. A portion of the costs of the Project was financed through the issuance of the 2023 GO Bond. The balance of the Project will be funded with the proceeds of the Bonds and other monies available to the District. See “**THE DISTRICT—Services Provided – Fire Service**” for a further description of the Project.

See the table of sources and uses of the proceeds of the Bonds at “**THE BONDS—Estimated Sources of Uses of Proceeds**” which sets forth estimates of the proceeds of the Bonds that are to be applied to reimburse the District for costs of the Project that have been incurred as of the issuance of the Bonds and to defray the costs of the Project that are incurred after the issuance of the Bonds.

Description

The Bonds will be general obligations of the District; will be issued in fully registered book-entry-only form; will be dated the date of delivery thereof; will bear interest from their dated date at the rates shown on the inside cover page hereof, payable initially on April 1, 2025, and semiannually thereafter on April 1 and October 1 (each, a “*Bond Payment Date*”) of each year

* Preliminary, subject to change.

until maturity to the person in whose name the Bond is registered on the 15th day of the month preceding a Bond Payment Date; and will mature on April 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will be issued under The Depository Trust Company, New York, New York (“*DTC*”) Book-Entry-Only System in denominations of \$5,000 each, or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year, registered in the name of Cede & Co., as the registered owner and nominee of DTC, which will act as securities depository for the Bonds. U.S. Bank Trust Company, National Association, Columbia, South Carolina, will serve as Registrar and Paying Agent for the Bonds.

Security

The Bonds are general obligations of the District and the full faith, credit and taxing power of the District are irrevocably pledged to the payment of the principal thereof and interest thereon. Pursuant to Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended (the “*State Constitution*”) and the Authorizing Act, the Bonds are payable from an *ad valorem* tax to be levied upon all taxable property in the District without limitation as to rate or amount. The provisions of the Bond Resolution require the levy and collection of such tax. The Authorizing Act requires that the auditor of the county wherein a special purpose district is located levy annually and the treasurer of such county to collect, in the same manner as county taxes are levied and collected, a separate tax without limit on all taxable property located within the special purpose district sufficient to pay the principal of and interest on the Bonds as they respectively mature and to create such sinking fund as may be necessary therefor. The obligation to levy and collect *ad valorem* taxes is an essential obligation of the contract between the District and its bondholders, is required by operation of law and, if necessary, may be enforced by a writ of *mandamus* or other equitable remedies.

As authorized by the Bond Resolution and the Authorizing Act (but not required), the tax levy therein ordered may be reduced to the extent that there has been deposited with the treasurer of the County (the “*County Treasurer*”) other monies available to the District on the occasion in each year when the *ad valorem* tax levy is to be made, and in all instances, where an annual tax levy is so reduced, the moneys derived from such revenues will be applied to the payment of the principal of and interest on the Bonds and other general obligation bonds of the District. **THE BONDS ARE NOT SECURED IN ANY RESPECT BY A PLEDGE OF THE REVENUES OF THE DISTRICT’S WASTEWATER UTILITY SYSTEM.** See “**THE DISTRICT—Services Provided**” herein.

Redemption

Optional Redemption. The Bonds maturing on or after April 1, 2034, are subject to redemption at the option of the District, in whole or in part, at any time in any order of maturity to be determined by the District on or after October 1, 2033, at par plus accrued interest to the date fixed for redemption. If less than all of the Bonds of like maturity are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Registrar by lot in such other manner as the Registrar may deem appropriate, or, for so long as the Bonds are held in book-entry-form and registered in the name of Cede & Co. or other nominee of DTC, the selection of Bonds to be redeemed shall be in accordance with the rules of the Securities Depository.

[*Mandatory Sinking Fund Redemption.* The Bonds maturing on April 1, 20__ shall be subject to mandatory sinking fund redemption commencing April 1, 20__, and will be redeemed (to the extent not previously redeemed) at 100% of the principal amount, plus interest accrued to the redemption date, on April 1 of each of the following years in the respective principal amounts for each year specified:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

The amount of any mandatory sinking fund redemption shall be reduced to the extent the Bonds of the applicable maturity have been purchased by the District or redeemed by the District pursuant to any optional redemption provisions, in such manner as the District shall direct.]

Notice of Redemption. For so long as a book-entry-only system for the Bonds is in place, the redemption and the notice of redemption of the Bonds will be accomplished as described in “**APPENDIX F—DTC AND BOOK-ENTRY ONLY SYSTEM**” attached hereto.

If the book-entry-only system is discontinued and if any of the Bonds, or portions thereof, are called for redemption, the Registrar will give notice to the holders of the Bonds to be redeemed, in the name of the District. If less than all of the Bonds are to be redeemed, such notice will specify the respective portions of the principal amount to be redeemed. Such notice will be given by mailing a copy by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the registered owner of each Bond or portion thereof to be redeemed, at the address shown on the Registry Books maintained by the Registrar; provided, however, the failure to give any such notice by mail, or any defect in the notice mailed to the registered owner of any Bond, will not affect the proceedings for the redemption of any other Bond. If less than all the Bonds of any

maturity are called for redemption, the Bonds, or portions thereof, to be redeemed will be selected by lot by the Registrar.

Book-Entry-Only System

The Bonds will be available to purchasers under the book-entry only system maintained by DTC, which will act as securities depository for the Bonds. Purchasers will not be entitled to receive physical delivery of the Bonds. For so long as any purchaser is a beneficial owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant in order to receive payment of principal of and interest on such Bonds. See “**APPENDIX F—DTC AND BOOK-ENTRY ONLY SYSTEM**” attached hereto for a more complete description of the book-entry only system for the Bonds.

Should the Bonds no longer be held in book-entry-only form, upon surrendering the same at the Corporate Trust Office (as defined in the Bond Resolution) of the Registrar, the Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations of the same interest rate and maturity. So long as any of the Bonds remain outstanding, the District will make all necessary provisions to permit the exchange of Bonds at the Corporate Trust Office of the Registrar.

Each of the Bonds is transferable at the Corporate Trust Office of the Registrar upon presentation and surrender of the Bonds sought to be transferred, together with a written instrument of transfer satisfactory to the Registrar. Upon surrender for transfer of any of such Bonds, the Registrar will authenticate and deliver in the name of the transferee, one or more Bonds in the same aggregate principal amount, maturity, and rates of interest as the surrendered Bonds.

Bonds surrendered in any exchanges or transfers will be cancelled by the Registrar. For each such exchange or transfer of Bonds, the District or the Registrar may make a charge sufficient to reimburse it or them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums will be paid by the Holder (as defined in the Bond Resolution) requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The District will not be obligated to issue, exchange or transfer any Bond during the 15 days next preceding any Bond Payment Date.

Defeasance

If all of the Bonds and all interest thereon will have been paid and discharged, then the obligations of the District under the Bond Resolution and all other rights granted hereby will cease and determine. The Bonds will be deemed to have been paid and discharged under each of the following circumstances, viz.:

- (1) The Paying Agent will hold, at the stated maturities of the Bonds, in trust and irrevocably appropriated thereto, sufficient moneys for the payment of the Principal Installments and interest, or redemption price thereof; or
- (2) If default in the payment of the principal of the Bonds or the interest thereon will have occurred on any Bond Payment Date, and thereafter tender of such payment will have been made, and at such time as the Paying Agent will hold in trust and irrevocably appropriated thereto, sufficient moneys for the payment thereof to the date of the tender of such payment; or
- (3) If the District shall elect to provide for the payment of the Bonds prior to their stated maturities and shall have deposited with the Paying Agent in an irrevocable trust moneys which shall be sufficient, or Government Obligations (as defined below), the principal of and interest on which when due will provide moneys, which together with moneys, if any, deposited with the Paying Agent or Escrow Agent at the same time, shall be sufficient to pay when due the Principal Installments or redemption price and interest due and to become due on the Bonds on and prior to their maturity dates or redemption dates, as the case may be.

“**Government Obligations**” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged; (b) obligations, the payment of the principal (if any), or the interest (if any) on which is fully guaranteed as a full faith and credit obligation of the United States of America; and (c) non-callable, U.S. Treasury Securities – State and Local Government Series Securities.

Miscellaneous

Neither the Bonds nor any of the documents relating to their issuance contain any covenants or periodic reporting requirements that could result in a default. Payment of principal of and interest on the Bonds may be enforced against the District, and the pledge of the full faith, credit and taxing power is enforceable by *mandamus*, subject to the procedures and conditions described herein at “**CERTAIN LEGAL MATTERS—Effects of Bankruptcy.**”

Estimated Sources and Uses of Proceeds

The following table sets forth the estimated sources and uses of proceeds of the Bonds.

	<u>Total</u>
<i>Sources of Funds</i>	
Par Amount of Bonds	
[Net] Original Issue Premium	
Total Sources	
<i>Uses of Funds</i>	
Project Fund Deposit	
Debt Service Fund Deposit ⁽¹⁾	
Cost of Issuance ⁽²⁾	
Total Uses	

⁽¹⁾ Section 6-11-1010 of the Authorizing Act requires the application of any net premium to be paid to the District to be applied to the first principal installment of the Bonds.

⁽²⁾ Includes underwriter's discount, legal, accounting, consulting, printing and other costs of issuing the Bonds.

THE DISTRICT

Creation and Establishment

The District was created by Act No. 498 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1961, as amended (the "**Enabling Act**"), as a special purpose district of perpetual succession. As set forth in the Enabling Act, the purpose of the District is to provide fire service, garbage disposal service, and wastewater service within its boundaries, which is generally comprised of portions of James Island and smaller islands located between James Island and the Island of Folly Beach, as more fully discussed below. The District is located fully within and comprises 12.35 square miles of the County's 945 square miles and had a 2022 estimated population of 18,364. In accordance with the provisions of the Enabling Act, the Commission possesses the power to "[e]stablish, operate and maintain a system for fire protection," "[e]stablish, operate and maintain a garbage collection service," and "[b]uild, construct, operate and maintain a system for the collection and disposal of sewage"

The provisions of the Enabling Act have been amended by the General Assembly on numerous occasions, many of which amendments were enacted by the General Assembly after March 7, 1973. The most recent amendments affecting the composition of the Commission are Act No. 601 of 1973 and Act No. 1367 of 1974 (together, the "**Enabling Act Amendments**"), which had the combined effect of altering the method of selecting the members of the Commission from appointment to an election, enlarging the Commission from five to seven members, and removing certain geographical requirements on the selection of members of the Commission. Accordingly, the Commission consists of seven members, each of whom is elected for a four-year term. The provisions of the Enabling Act Amendments, however, are subject to challenge under the State Constitution as unconstitutional special legislation; Article VIII, §7 of the State Constitution prohibits the General Assembly from enacting legislation after March 7, 1973, that only affects a specific county. The Supreme Court of South Carolina has struck down special laws similar to the Enabling Act Amendments on several occasions and if the constitutionality of the Enabling Act Amendments were to be challenged and the Enabling Act Amendments were to be finally adjudicated as unconstitutional, then any commissioner appointed pursuant to these amendments would no longer be entitled to hold that office. However, such a ruling would not invalidate any action taken by the Commission prior to such ruling and the members of the Commission would be considered to have validly served in a *de facto* capacity prior to the date that the legislation was declared unconstitutional by the courts. According to the South Carolina Supreme Court, "[w]here there is a legislative act or municipal ordinance in form creating an office and an officer is elected or appointed to such office, then though the legislative act or ordinance is unconstitutional or invalid, the officer elected or appointed and acting thereunder is an officer *de facto* until the act or ordinance is declared by the courts to be unconstitutional or invalid." *State ex rel. McLeod v. Court of Probate of Colleton County*, 223 S.E.2d 166 (S.C. 1975). As *de facto* commissioners, the acts of the members of the Commission would be valid and binding on the parties involved, and immune from collateral attack. At the request of the purchaser of the Bonds, legal counsel will deliver an opinion at closing that Enabling Act Amendments are enforceable until an appropriate judicial declaration determines otherwise, and that in the event the provisions of the Enabling Act Amendments are declared unconstitutional or unlawful, the current members of the Commission validly serve in a *de facto* capacity. See "**CERTAIN LEGAL MATTERS—Legal Opinions**" herein.

In addition to the Enabling Act Amendments, the District has been the subject of numerous other acts of the General Assembly enacted after March 7, 1973; however, these acts pertain to the annual approval of the District's tax millage and operating expenditures by the Charleston County legislative delegation. The provisions of these acts pertain only to the year for which they were enacted and do not have any bearing on the District's present authorization to levy *ad valorem* taxes or adopt an annual operating budget. See "**THE DISTRICT—Ad Valorem Taxes**" herein.

Governance

The Commission. The District is governed by the Commission, which determines the operating policies as well as the capital improvement programs of the District. The Commission is responsible for the construction, operation, maintenance, and enlargement of the District's systems of fire protection, solid waste disposal, and wastewater disposal, and promulgating rules and regulations in connection with the provision of these services.

Membership of the Commission. The Commissioners are elected from within the District at-large for four-year terms. The names of the current members of the Commission, their occupations or former occupations, and the expiration of their present terms of office, are shown in the following table.

<u>Commission Member</u>	<u>Occupation</u>	<u>Present Term Expires</u>
Marilyn Clifford, <i>Chair</i>	Paralegal	12/31/2026
Brenda Grant, <i>Vice Chair</i>	Security Administration	12/31/2024
Ronald Ladson, <i>Secretary</i>	Retired Military	12/31/2026
Inez Brown Crouch	Retired Registered Nurse	12/31/2026
Paul S. Cantrell	Facilities Maintenance	12/31/2026
Susan Milliken	Retired Attorney	12/31/2024
Kathy Woolsey	Horticulturist	12/31/2024

District Manager. The District Manager of the District, Ashley Kellahan, is appointed by and serves at the pleasure of the Commission. Ms. Kellahan was appointed District Manager on August 12, 2024. Prior to her tenure as District Manager, Ms. Kellahan has worked in local government administration since 2007, including 9 years as the Town Administrator for the Town of James Island, South Carolina and most recently, as a Field Services Manager with the Municipal Association of South Carolina. Ms. Kellahan holds a master's degree in public administration from the College of Charleston and a bachelor of arts degree in Political Science and Government from the University of South Carolina.

Director of Finance. The Director of Finance of the District, Ed Kilcullen, is appointed by the District Manager and serves at the pleasure of the District Manager. Mr. Kilcullen has served as the Director of Finance for the District since February 1, 2021. Previously, he served as Finance Director for Georgetown County, South Carolina. Mr. Kilcullen holds a bachelor's degree from North Illinois University.

Services Provided

The District, pursuant to the Enabling Act, provides fire service, garbage collection service, and wastewater service within its boundaries.

Fire Service. The District utilizes a three-shift rotation providing emergency services 24-hours per day, seven days per week. Minimum daily staffing consists of approximately 14 fire-suppression-rated personnel and one Battalion Chief to perform all emergency services and maintain daily operations throughout the District.

The District currently operates four fully staffed fire stations, all of which are located on James Island. The District is replacing the existing Fire Station #2 facility, built in 1964, with the Project, which is designed to better serve the growing population of James Island. The District recently acquired the parcel adjoining the existing fire station along Harbor View Road. Both parcels have been combined in order to provide safe ingress and egress for the vehicles and equipment for the Project. See **"THE BONDS—Purpose"** hereinabove.

The District has two front line pumpers, one aerial apparatus, one heavy rescue apparatus, as well as a reserve fleet of one pumper, one heavy rescue apparatus, and one aerial apparatus. The District also operates a brush truck and five support vehicles, which include four command staff support vehicles.

The District presently enjoys a Public Protection Classification rating of 1 from the Insurance Services Office, Inc., commonly referred to as an ISO Rating, for its service within the District. ISO ratings are on a scale of 1 to 10; Class 1 represents the best public fire protection, and Class 10 indicates no recognized protection. According to the Insurance Services Office, Inc., less than 1% of fire protection services nationwide have attained an ISO rating of 1.

Solid Waste Service. The District's Solid Waste Department provides garbage, yard debris, and bulk item collection to over 7,300 residences within the District. The Solid Waste Department provides these services utilizing 19 separate pieces of equipment.

Wastewater Service. The District owns and operates a system for the collection of wastewater within the District (the “*Sewer System*”) that provides service to approximately 13,000 customers. See **APPENDIX C** for a discussion of the operation and finances of the District’s Sewer System.

District Employees

The District employs a total of 103 personnel, 48 in connection with fire service, 19 in connection with solid waste service, 15 in connection with wastewater service, and 21 in administration, human resources, fleet management, and other non-service specific departments of the District. None of the employees of the District is represented by a union or other collective bargaining group and the District believes itself to have excellent relations with its employees.

Ad Valorem Taxes

The provisions of the Enabling Act require the Commission to obtain the approval of the Charleston County legislative delegation prior to the imposition of its operational levy in each year; however, a similar provision applicable to another Charleston County special purpose district was declared unconstitutional and severable by the South Carolina Supreme Court, giving the special purpose district in question the power to adopt a budget and levy *ad valorem* property taxes for operational purposes without being subject to the oversight of the Charleston County legislative delegation or any other authority, noting as significant to its analysis that the district in question is governed by “an elected Commission which, by definition, is answerable to its electorate and therefore subject to electoral oversight.” *Thomas v. Cooper River Park*, 322 S.C. 32 (1996). The Enabling Act directs the District to receive the approval of the Charleston County legislative delegation in the manner set forth in a general law contained in a prior codification of the South Carolina Code of Laws, which was not carried over to the codification of the South Carolina Code now in effect. The District is subject to a since-repealed general law that requires the District to submit its annual budget to the Charleston County legislative delegation for approval. In reliance upon the holding in *Thomas v. Cooper River Park*, the District adopts its annual budget and levies *ad valorem* property taxes without seeking the approval of the Charleston County legislative delegation or any other authority. The validity of the District’s current practice has not been adjudicated by a court of competent jurisdiction.

Under the Authorizing Act, the Approving Ordinance provides the District with the authority to levy a separate *ad valorem* property tax, without limit as to rate or amount, to provide for payment of the principal of and interest on the Bonds as they come due. A more comprehensive explanation of the District’s taxing power and millage history may be found below under the heading “**PROPERTY ASSESSMENT AND TAXATION.**” The levy of *ad valorem* property taxes for the repayment of general obligation bonds is not affected by the provisions discussed above regarding the approval of the District’s budget or the levy of such taxes for operational purposes.

Location of District; Service Area

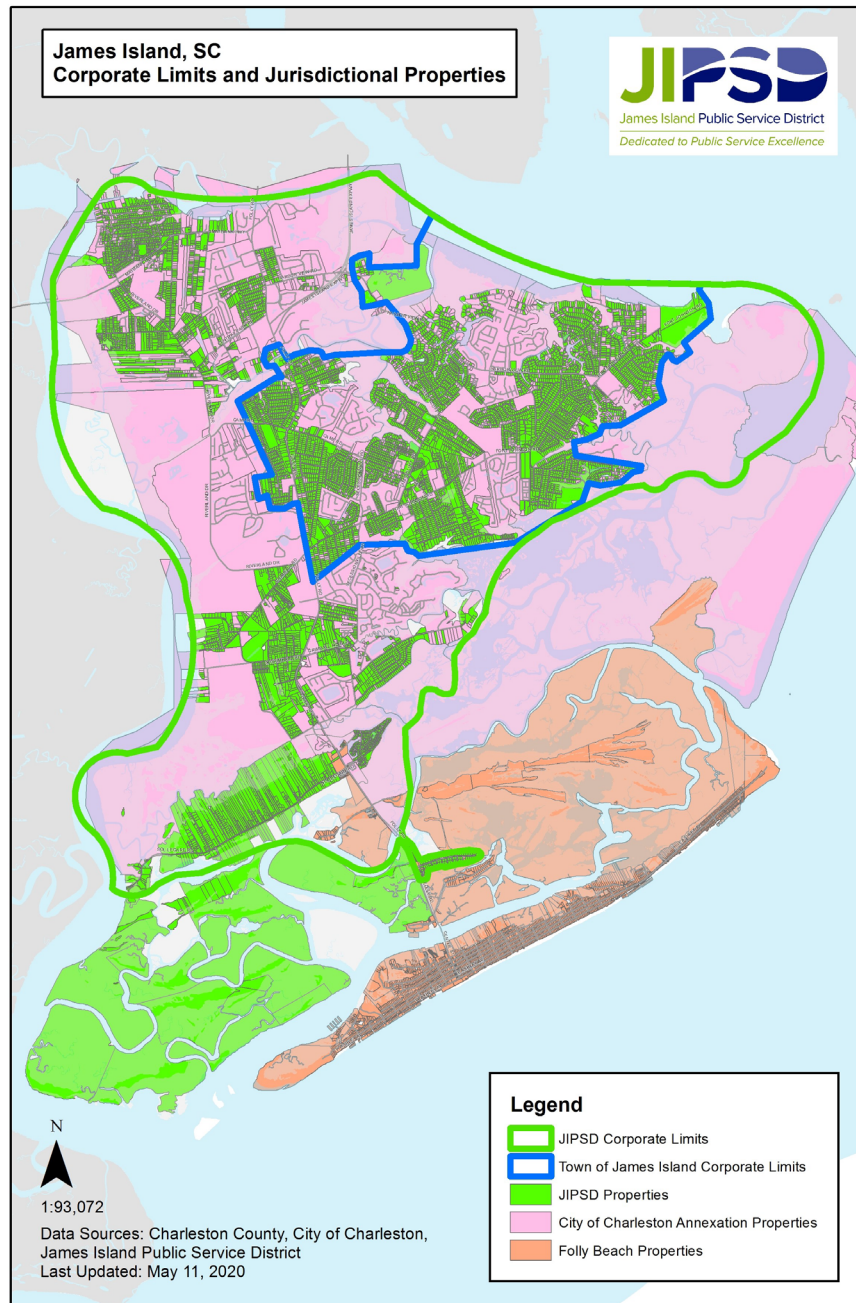
As originally constituted, the District encompassed the entirety of James Island; however, due to annexations by the City of Charleston, South Carolina, and the City of Folly Beach, South Carolina, certain areas of James Island are no longer located within the District. See “**THE DISTRICT—Annexation by the Cities of Charleston and Folly Beach.**” By resolution dated September 17, 1991, the County Council enlarged the boundaries of the District to include smaller islands between James Island and the Island of Folly Beach, which encompasses the majority of the City of Folly Beach. See “**THE DISTRICT—Annexation and Boundary Changes**” and “**Annexation and Boundary Changes—Alteration of Boundaries by County Council**” below for a discussion of the method by which County Council may alter the boundaries of the District.

James Island. James Island is a barrier island on the coast of South Carolina. It lies inshore of the Island of Folly Beach and Morris Island, and east of John’s Island, and is separated from the Charleston peninsula to the northeast by the Ashley River and from the portion of the City of Charleston known as West Ashley by Wappoo Creek. James Island comprises the southwestern shore of the Charleston Harbor. James Island has a total land area of approximately 28 square miles, and in 2020 (the most recent year available) had an estimated population of approximately 41,478.

Town of James Island. The Town of James Island, South Carolina (the “*Town*”) was successfully incorporated in 2012 and now occupies approximately 15% of James Island, and approximately 34% of the total area of the District, within its municipal boundaries. The Town provides few municipal services directly to its residents, while relying upon the District to provide fire service, solid waste service, and wastewater service, the Commissioners of Public Works of the City of Charleston to provide water service and Charleston County to provide police protection within its boundaries. Unlike annexations by the City of Charleston and the City of Folly Beach discussed below, the boundaries of the Town and the District overlap, and the entirety of the area within the Town overlaps the area of the District. See “**THE DISTRICT—District and Other Jurisdictional Boundaries**” below.

District and Other Jurisdictional Boundaries

The map below displays the District's boundaries and service area. The green border depicts the original boundary of the District as described in the Enabling Act. The areas comprising the current boundaries of the District are shaded green. All of those parcels shaded green and located within the blue border are also located within the Town. The parcels shaded green encompass the area on which taxes will be levied and from which taxes will be collected for the payment of the principal of and interest on the Bonds. Those parcels shaded pink are located within the City of Charleston and have been removed from the boundary of the District over time due to annexations. Those parcels shaded in orange are located within the City of Folly Beach, and those situated within the green border have been removed from the boundary of the District due to annexations over time. See "THE DISTRICT—Annexation and Boundary Changes" and "Annexation and Boundary Changes—Impact of Annexation on General Obligation Bondholders" below for a discussion of the effects of annexation.



Source: James Island Public Service District

Location of the County within the State

The map below shows the location of the County within the State.



Source: Charleston County GIS

Annexation and Boundary Changes

Annexation Procedure. The South Carolina Code provides that the boundaries of a special purpose district may be altered by the annexation of area within a special purpose district by an adjacent municipality. When all or part of a special purpose district is annexed into a municipality, Sections 5-3-300 through 5-3-315 of the South Carolina Code (the “*Annexation Procedures*”), provide that:

1. At the time of annexation or at any time thereafter the municipality may elect at its sole option to provide the service formerly provided by the special purpose district within the annexed area. The transfer of service rights must be made pursuant to an Annexation Plan (as defined hereinbelow).
2. Until the municipality, upon reasonable written notice, elects to displace the special purpose district's service, the district must be allowed to continue providing service within the special purpose district's annexed area.
3. Annexation does not divest the special purpose district of any property; however, subject to the provisions of item (4) below, real or tangible personal property located within the area annexed must be transferred to the municipality pursuant to an Annexation Plan.
4. In any case in which the municipality annexes less than the total service area of the special purpose district, the special purpose district may, at its sole discretion, retain ownership and control of any asset, within or without the annexed area, used by or intended to be used by residents within the special purpose district's unannexed area or used or intended to be used to provide service to residents in the unannexed area of the special purpose district.
5. Upon annexation of less than the total area of the district, the district's boundaries must be modified, if at all, pursuant to an Annexation Plan. Such Annexation Plan must specify the new boundaries of the special purpose district.

Annexation Plan. The Annexation Plan is required to balance the equities and the interests of the residents and taxpayers of the annexed area and of the area of the special purpose district not subject to annexation. If the municipality and the special purpose district cannot agree on an Annexation Plan within 90 days following a favorable referendum, the special purpose district and the municipality must appoint a committee to formulate an Annexation Plan. Within 60 days thereafter, such committee must formulate an Annexation Plan.

The Annexation Plan may take into account any of the equities and interests involved, provided it complies with the following:

1. The Annexation Plan may provide for certain service contracts to be entered into between the municipality and the district. The municipality has the right, in its sole discretion, to determine whether the municipality will provide service to the area annexed directly or by contract with the special purpose district. At the option of the special purpose district, the Annexation Plan may provide for service contracts by which the municipality will provide service to residents of unannexed areas of the special purpose district.
2. In any case in which less than the total service area of the special purpose district is annexed by the municipality, the Annexation Plan must:
 - a. protect the special purpose district's ability to serve the residents of the district's unannexed area economically and efficiently and protect the special purpose district's ability to continue to expand or otherwise make service available throughout its unannexed area;
 - b. protect the ability of the municipality to serve residents of the annexed area of the district economically and efficiently; and
 - c. protect the rights of the special purpose district's bondholders.
3. To carry out the requirements of 2(a) above, the Annexation Plan shall require the municipality to assume contractually the obligation to pay debt service on an amount of the district's bonded indebtedness or other obligations including lease purchase obligations adequate to offset the district's loss of net service revenue or tax revenue from the area annexed, in accordance with the following:
 - a. specifically included within this amount must be revenues, if any, projected under the provisions of any governmentally approved plan promulgated pursuant to federal pollution control legislation;
 - b. as the special purpose district retires bonded indebtedness existing at the time of annexation, the municipality's payment obligation under this provision must be reduced by the proportion which the principal amount of the indebtedness retired bears to the total principal amount of bonded indebtedness of the district at the time of annexation; and
 - c. as used herein, net service revenue means revenue from fees, charges, and all other sources, attributable to service provided in the area annexed, less the actual cost of operating and maintaining the system or facilities needed to serve that area; however, debt service or other payments required to finance capital assets may not be considered to be part of such operating and maintenance expenses. Tax revenue means taxes collected from property owners within the annexed area.
4. In no event may any provision be incorporated in any plan which will impair the rights of bondholders.

If either the municipality or the special purpose district objects to the Annexation Plan created by the committee, it may appeal, within 30 days of receipt of the Annexation Plan, to the court of common pleas for the county in which the annexed area lies. The court may modify the plan forwarded by the committee only upon finding an error of law, abuse of discretion, or arbitrary or capricious action by the committee. The fact that a plan has not been finalized may not in any way alter or delay the effective date of annexation; however, the special purpose district retains the right to operate its existing system, collect revenues, and collect taxes from or within the area annexed until such time as the municipality and the special purpose district agree on a plan or a plan is presented to the municipality and the special purpose district as described above. In the event a plan is appealed to the courts, the court of common pleas for the county in which the annexed area or any part thereof lies may enter such orders under its general equitable powers as are necessary to protect the rights of parties pending final resolution of any appeal.

Designated Service Areas. South Carolina counties are authorized under Section 5-7-60 of the South Carolina Code to designate service areas outside of the boundaries of municipalities and special purpose districts within such county wherein a single entity may provide a service. Accordingly, for areas within the State and outside of the District's boundaries where it provides sewer service, the District is subject to competition from other sewer providers except in cases where the County Council has designated such area as the designated service area of the District under Section 5-7-60 of the South Carolina Code. The County Council has not taken action to designate any area outside of the boundaries of the District as the District's designated service area.

Impact of Annexation on General Obligation Bondholders. In no event under any plan or otherwise may the obligation between the special purpose district and its general obligation bondholders be disturbed. If adequate provision is not made for the levy of taxes or for the payment of the principal and interest on such general obligation bonds, it is the statutory duty of the auditor of the county to levy, and of the treasurer of the county to collect, an *ad valorem* property tax, without limit as to rate or amount, upon all taxable property within the special purpose district as it was constituted on the dates those bonds were issued sufficient to pay principal of and interest on the bonds as they become due. Only bondholders or their agents may proceed at law or equity to enforce this requirement.

Alteration of Boundaries by County Council. Pursuant to Sections 6-11-410 through 6-11-650 of the South Carolina Code, the governing bodies of the several counties of the State are authorized to enlarge and diminish the boundaries of special purpose districts located within their respective boundaries and to consolidate two or more special purpose districts located within their respective boundaries. The county governing bodies are authorized to take such action without the consent of the special purpose districts so affected. However, prior to such action, a public hearing must be held. Should the District be diminished, enlarged, or consolidated with one or more of the other special purpose districts located in the County or an adjoining county, its obligations, including its general obligation debt, would become obligations of the altered district or successor district, as applicable, pursuant to Section 6-11-620 of the South Carolina Code. In the case of a consolidation, the governing bodies of the consolidating districts may request that their respective indebtedness continue to be secured solely by taxes levied within their respective pre-consolidation boundaries. The County has previously utilized this authorization to enlarge the boundaries of the District. See “**THE DISTRICT—Location of District; Service Area**” herein.

Limitations on Annexation Under Federal Law. Notwithstanding the foregoing, Title 7, Section 1926(b) of the United States Code (“**Section 1926(b)**”) prohibits a city or town from curtailing the service provided by another local government entity which is indebted to the United States Government through one or more loans from the United States Department of Agriculture, Rural Development (“**Rural Development**”) through the annexation of the territory of such local government service provider. See 7 USC 1926(b). The District has outstanding one general obligation bond that is held by Rural Development, the District’s original principal amount \$363,000 General Obligation Bond, Series 1996 (the “**Rural Development Bond**”), maturing in 2036, that was issued to make capital improvements related to the District’s fire protection system. See “**DEBT STRUCTURE—Outstanding Debt**” herein. Also see “- **Annexation by the Cities of Charleston and Folly Beach – Impact of Annexation on Wastewater Service**” herein.

Annexation by the Cities of Charleston and Folly Beach

Throughout the District’s existence, properties within its boundaries have been annexed by the City of Charleston, South Carolina (“**Charleston**”) and the City of Folly Beach, South Carolina (“**Folly Beach**”). Of the District’s original area at its inception of approximately 28 square miles, these municipalities have annexed approximately 16 square miles, or 57% of the District’s original area. As annexations have occurred, the annexed property has been removed from the boundaries of the District and transferred to the annexing municipality, eliminating any overlap between the District and annexing municipalities. Annexations have occurred on a parcel-by-parcel basis, giving rise to the fractured boundary of the District that now exists. See “**THE DISTRICT—District and Other Jurisdictional Boundaries**” herein. By virtue of the protections against the negative impacts of annexations afforded to the District under the Annexation Procedures and Section 1926(b) discussed above, the District, since 1997, has sought to protect its service rights and its collection of tax revenues within the areas annexed by Charleston and Folly Beach. Annexations within the boundaries of the District may continue to occur. Future annexations by Charleston or Folly Beach are subject to the provisions of the Annexation Procedures and Section 1926(b) discussed below.

Impact of Annexations on Fire Service. By virtue of the Rural Development Bond and in reliance upon Section 1926(b), in 1997 the District brought suit against Charleston and Folly Beach seeking a declaratory judgment that the District is the proper authority to provide fire service to the areas that Charleston and Folly Beach had annexed within the District’s original boundary, and an injunction to (1) restrain Charleston and Folly Beach from providing fire service within these annexed areas, and (2) restrain the cities from diverting any portion of the taxes relating to the provision of fire service within the annexed areas. Pursuant to an order filed August 2, 1999, by the United States District Court for the District of South Carolina, Charleston Division, in the matter of *James Island Public Service District v. The City of Charleston, The Town of Folly Beach, et al.*, the District Court ruled in favor of the District and granted the requested injunction with respect to any property annexed by either city after November 27, 1996, and any property that either city may subsequently annex (the “**Annexed Properties**”).^{*} Practically, upon annexation, properties are transferred from the District’s boundary to those of the annexing city; however, the District continues to provide fire service and the annexing city must pay the District an amount equal to the tax revenue it would have collected in connection with providing fire service to such property annually.

A second order of the District Court, filed on August 3, 2000, clarified the formula for calculating such payments. Annually, the District determines the percentage of its operating budget “attributable to operating, maintaining and administering its fire department, then [multiplies] that percentage by the assessed value of the [Annexed Properties] and the [District’s] annually approved [operating] millage rate.” Added to this amount is the amount that would have been collected from the Annexed Properties in connection with the debt service millage applicable to any of the District’s outstanding general obligations bonds. Charleston and Folly Beach must remit the amounts attributable to the District’s operating and debt service millage to the District on a monthly basis.

In any year the District may apply funds collected from Charleston and Folly Beach pursuant to these orders to the District’s Debt Service Fund to offset the millage required to be levied in the upcoming year, however, the District’s collections under these orders are not pledged as security for the Bonds and have no bearing on the District’s obligation to levy an *ad valorem* tax without limit upon the taxable property within the boundaries of the District to defray the annual debt service on the Bonds.

^{*} The District Court’s order was upheld by the United States Court of Appeals for the Fourth Circuit. See *James Island Pub. Serv. Dist. v. City of Charleston, S.C.*, 249 F.3d 323 (4th Cir. 2001).

Impact of Annexations on Solid Waste Service. In accordance with the Annexation Procedures, in February 2005 the District and Charleston agreed upon an annexation plan with respect to solid waste service formulated by a committee pursuant to Section 5-3-311 of the Annexation Procedures. Under this annexation plan, the District continues to provide solid waste service to any property annexed by Charleston after May 1, 2000, and collect that portion of its annual operating millage attributable to solid waste services for a term of six years after such annexation. Thereafter, Charleston provides solid waste service to these annexed properties and ceases making any payments to the District with respect to solid waste service. Currently, there are no properties that have been annexed by Charleston to which the District provides solid waste service pursuant to this 2005 agreement.

Impact of Annexations on Wastewater Service. The District has currently outstanding two revenue bonds that are held by Rural Development: the original principal amount \$437,000 Wastewater System Revenue Bonds, Series 1992 and the original principal amount \$538,000 Wastewater System Revenue Bonds, Series 1996, which mature in 2032 and 2036, respectively. The District was first indebted to Rural Development through revenue bonds issued in April 1980. In 1994, the District brought suit against Charleston in federal court seeking the protection of Section 1926(b) with respect to the District’s right to provide wastewater service to properties annexed by Charleston. This lawsuit was resolved by a consent order of the federal court which allows the District to continue to provide wastewater service to properties annexed by Charleston after April 11, 1980. See “**APPENDIX C—SUMMARY OF SEWER SYSTEM OPERATING AND FINANCIAL DATA - Sewer Customers**” for additional information regarding the arrangements between the District and Charleston and Folly Beach regarding the treatment of customers in annexed areas.

State Retirement Plan

All full-time District employees are members of either the South Carolina Retirement System (“**SCRS**”) or the South Carolina Police Officer Retirement System (“**PORS**”), both of which are a cost-sharing multiple-employer defined benefit pension plan (each, a “**Plan**”) administered by the South Carolina Public Employee Benefit Authority. Both employees and employers are required to contribute to the Plan pursuant to Title 9 of the South Carolina Code.

Act No. 13 of 2017 was signed by the Governor of the State on April 25, 2017, and was effective July 1, 2017. Except for a tolling period with respect to increases in the employer contributions under Act No. 135 of 2020, the results of Act No. 13 are as follows:

- The District’s contribution rate, as an employer, for SCRS, after years of incremental adjustments, is now set at a capped rate of 18.56% in fiscal year ended June 30, 2024 (a “**Fiscal Year**”; references to a Fiscal Year herein being reference to the 12-month period ending on June 30 of the year indicated) and beyond (but see bullet 4 below).
- The District’s contribution rate, as an employer, for PORS, after years of incremental adjustments, is now set at a capped rate of 21.24% for Fiscal Year 2024 and beyond (but see bullet 4 below).
- Increased and capped the employee contribution rate to 9% for SCRS and 9.75% for PORS.
- After June 30, 2027, decreases in employer and employee contribution rates in equal amounts are authorized if the ratio between the actuarial value of SCRS assets and the actuarial value of SCRS liabilities is equal to or greater than 85%.
- Effective July 1, 2017, the assumed annual rate of return was lowered from 7.5% to 7.25% and the assumed rate of return is reset every four years. The rate was reset to 7.0% in Fiscal Year 2022.
- The funding period (or amortization period) of unfunded liabilities, beginning in Fiscal Year 2018, was reduced from 30 years to 20 years for Fiscal Year 2028 and thereafter.

A summary of the District’s employer contribution to SCRS and PORS for the last five fiscal years, each of which was funded at 100%, is set forth in the following table:

<u>SCRS Contributions</u>		<u>PORS Contributions</u>	
<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2022-23*	\$533,655	2022-23*	\$521,158
2021-22	956,294	2021-22	-
2020-21	808,930	2020-21	-
2019-20	817,518	2019-20	-
2018-19	775,351	2018-19	779

* Beginning in Fiscal Year 2022-2023, the District’s fire staff elected to enroll in PORS, resulting in a drop in SCRS contributions and an offsetting increase in PORS contributions.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and PORS is publicly available on their website at www.retirement.sc.gov (not intended as active hyperlink), or by submitting a request to SCRS, P.O. Box 11960, Columbia, SC 29211-1960.

GASB 68

Pursuant to Governmental Accounting Standards Board (“**GASB**”) Statement No. 68, the District is required to report a net pension liability for its participation in the SCRS and PORS. The District’s proportionate share of the net pension liabilities is based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, PEBA reported the District’s proportionate share of the collective net pension liability to be 57.1% for SCRS and 0.00% for PORS and liabilities of \$11,723,805 and \$0.00 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively.

Further Information. Any assessment of the District’s retirement plan and post-employment benefits should be made with reference to the more detailed description thereof in the Financial Statements including Note 6 therein for the Fiscal Year 2023, attached to the Official Statement as **APPENDIX A**.

Other Post-Employment Benefits

GASB No. 75. GASB Statement No. 75 (“**GASB 75**”) generally requires that state and local governmental employers account for other post-employment benefits (“**OPEB**”) on an accrual basis similar to the manner that they currently account for pensions. GASB 75 also requires disclosure of information about the plans in which an employer participates, the funding policy followed and the actuarial valuation process and assumptions. The District implemented GASB 75 in Fiscal Year 2018.

Post-Retirement Health Care. Until recently, the District sponsored a single-employer, self-funded defined benefit healthcare plan (the “**Plan**”) that provides medical, prescription drug, and dental insurance benefits for retirees on the same terms as active employees until age 65. In Fiscal Year 2022, the District dissolved the OPEB plan due to the expense. At the time the District dissolved the OPEB, the remaining plan assets were approximately \$500,000. All benefits will stop once the plan assets are fully expended. The account balance at the end of Fiscal Year 2023 was \$114,048 and such amount was fully disbursed in January 2024. Retired employees will continue to have access to health insurance, but all costs will be incurred by the retiree.

Further Information. An assessment of the District’s OPEB and other post-retirement benefits, should be made with reference to the more detailed description thereof in the 2023 Financial Statements, attached to the Official Statement as **APPENDIX A**, and Note 7 therein.

Accounting Practices

The District’s staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss or unauthorized use and to ensure that adequate accounting data are compiled to allow for preparation of financial statements of the District in conformity with accounting principles generally accepted in the United States of America.

The District’s staff drafts financial reports and reconciles its bank accounts on a monthly basis. The monthly reports are then compiled by staff and submitted to the District’s independent certified public accountant for auditing purposes. The annual financial statements are audited in conformity with accounting principles generally accepted in the United States of America as required by Section 6-11-1650 of the South Carolina Code.

Auditing Procedures

On an annual basis the District provides for the preparation of audited financial statements by an independent auditor in compliance with Generally Accepted Governmental Auditing Standards. The financial statements of the District for the fiscal years ended June 30, 2023 and 2022, were audited by Love Bailey & Associates, LLC, Laurens, South Carolina.

Insurance

Subject to specific immunity set forth in Section 15-78-120 of the South Carolina Code, commonly referred to as the South Carolina Tort Claims Act (the “**Tort Act**”), the District is liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate for personal injuries. No punitive or exemplary damages are permitted under the Tort Act. Insurance protection to units of local government is provided from either the South Carolina Insurance Reserve Fund, a division of the South Carolina State Fiscal Accountability Authority, private carriers, self-insurance or pooled self-insurance funds.

The District currently maintains commercial insurance coverage through USI Insurance Services National to protect against casualty or loss. There has been no reduction in the District’s insurance coverage in the past year and there were no settlements exceeding insurance coverage in the past three years. The District is periodically the subject of litigation by a variety of plaintiffs.

The District’s management believes that such amounts claimed by these plaintiffs, net of applicable insurance coverage, are immaterial.

Cyber Security

The District’s information technology department utilizes a number of approaches to secure data and systems from cyber-attacks. These include staff education and training to prevent breaches and reduce the number of computer viruses, and deployment of software and hardware to detect and eliminate viruses and malware while allowing and monitoring authorized access. Also see “**INVESTMENT CONSIDERATIONS—Cyber-Security**” within the Official Statement. Additionally, the District currently maintains an insurance policy for loss stemming from cyber security related claims.

Permitted Investments

Pursuant to Section 6-5-10 of the South Carolina Code, the District invests money subject to its control and jurisdiction in investments specified under said section or the South Carolina Pooled Investment Fund. Section 6-5-10 of the South Carolina Code provides for the following investments: (i) obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States; (ii) obligations issued by certain listed instrumentalities and sponsored enterprises of the United States (including but not limited to the Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Government National Mortgage Association) if at the time of the investment the obligor has long-term, unenhanced, unsecured debt ratings in one of the two top ratings categories; (iii) general obligations of the State or any of its political units, or revenue obligations of the State or any of its political units if, at the time of the investment the obligor has long-term, unenhanced, unsecured debt ratings in one of the two top ratings categories; (iv) savings and loan associations to the extent that the same are insured by an agency of the federal government; (v) certificates of deposit and repurchase agreements which are collaterally secured by securities of the type described in subsections (i), (ii) or (iii) provided above; and (vi) certain no load open-end or closed-end management type investment companies or trusts which are, in essence, an indirect investment in investments of the kind described in (i) and (ii) above or repurchase agreements collateralized by such investments. The South Carolina Pooled Investment Fund is managed by the South Carolina State Treasurer for the benefit of South Carolina political subdivisions.

Budgeting

The District is required by the South Carolina Code to adopt a balanced budget each year by June 30. District staff prepares a proposed annual budget for the District which is presented to the Commission for approval prior to June 30 of each year. The District’s budgets for the fiscal years ended June 30, 2024, and ending June 30, 2025, are shown below. See “**APPENDIX C—SUMMARY OF SEWER SYSTEM OPERATING AND FINANCIAL DATA-Budgeting**” for information regarding the budget for the District’s Sewer System.

	Fiscal Year Ended	Fiscal Year Ending
	<u>June 30, 2024</u>	<u>June 30, 2025</u>
<u>Revenues</u>		
Property Taxes	\$7,639,310	\$9,641,177
Intergovernmental Revenues	1,705,440	1,699,400
Other Income	<u>203,900</u>	<u>242,600</u>
Total Revenues	9,548,650	11,583,177
Other Inflows	2,930,000	(212,692)
Sale of Fixed Assets	<u>52,500</u>	<u>18,000</u>
Total Revenues/Inflows	12,531,150	11,388,485
 <u>Expenditures</u>		
Administrative/Fleet	1,289,121	1,545,251
Public Safety – Fire	5,161,804	5,833,381
Health – Solid Waste	2,455,823	2,711,119
Capital Outlay	2,949,748	504,012
Capital Lease Payments / Debt Service	<u>856,870</u>	<u>853,491</u>
Total Expenditures	12,713,366	11,447,254
 Excess (Deficiency) of Revenues Over (Under)		
Expenditures	\$(182,216)	\$(58,769)

Summary of General Fund Operations

The following table sets forth a summary of the District's general fund operations as of June 30 of each of the years shown. See "APPENDIX C—SUMMARY OF SEWER SYSTEM OPERATING AND FINANCIAL DATA—Summary of Proprietary Fund Operations" for a summary of the District's proprietary fund for fiscal years ending June 30, 2019 through June 30, 2023.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues					
Property Taxes	\$8,654,638	\$9,355,035	\$9,902,425	\$10,005,393	\$9,978,681
Intergovernmental Revenues	61,449	13,192	26,384	26,384	28,423
Grant Revenues	259,053	7,534	307,829	44,167	202,771
Miscellaneous Revenues	<u>66,052</u>	<u>94,049</u>	<u>133,896</u>	<u>186,096</u>	<u>253,656</u>
Total Revenues	\$9,041,192	\$9,469,810	\$10,370,534	\$10,262,040	\$10,463,531
Expenditures					
General Government	\$876,921	\$1,118,251	\$992,685	\$1,005,417	\$1,107,232
Public Safety – Fire	4,496,533	4,364,237	4,273,230	4,532,046	4,554,594
Health – Solid Waste	2,009,821	2,296,717	2,209,202	2,142,474	2,291,529
Capital Outlay	1,929,734	3,565,795	5,289,462	44,375	332,185
Debt Service					
Principal	519,242	505,827	1,540,705	1,062,104	997,753
Interest	<u>120,715</u>	<u>34,831</u>	<u>208,031</u>	<u>261,293</u>	<u>265,995</u>
Total Expenditures	\$9,952,966	\$11,885,658	\$14,513,315	\$9,047,709	\$9,549,288
Excess (deficiency) of revenues over (under) expenditures	\$(911,774)	\$(2,415,848)	\$(4,142,781)	\$1,214,331	\$914,243
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	\$34,300	\$27,200	\$72,619	\$1,308,652	\$27,201
Debt Issuance Costs	-	-	(220,621)	(1,500)	3,001,103
Proceeds from Debt/Leases	-	903,000	10,249,355	-	-
Insurance Proceeds	<u>-</u>	<u>-</u>	<u>280,396</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	\$34,300	\$930,200	\$10,381,749	\$1,307,152	\$3,028,304
Net change in fund balance	\$(877,474)	\$(1,485,648)	\$6,238,968	\$2,521,483	\$3,942,547
Fund balance, beginning of year	\$6,065,634	\$5,188,160	\$3,771,995	\$10,010,963	\$12,532,446
Fund balance, end of year	\$5,188,160	\$3,702,512	\$10,010,963	\$12,532,446	\$16,474,993

Management's Discussion and Analysis

The District's financial condition has increased substantially over the last five Fiscal Years. Overall, net position of the District has increased by approximately \$11.2 million or 317% from Fiscal Year 2019 to Fiscal Year 2023. The positive growth in financial condition can generally be attributed to increased property tax revenues and proceeds of debt issuances.

Total Revenues. The District's revenues have increased \$1.4 million from Fiscal Year 2019 to Fiscal Year 2023, or 15.7%. This increase was primarily related to an increase in property tax revenue of \$1,324,043 due to an increase in assessed values. With the District's continued economic and population growth, the District expects the total revenues will continue to grow annually.

Total Expenses. Total operating expenses have marginally decreased for the five most recently completed Fiscal Years from \$9.952 million in Fiscal Year 2019 to \$9.549 million in Fiscal Year 2023, a decrease of approximately 4.1%. This is primarily due to decreased personnel costs as the District strives to recruit, retain and replace employees.

Total Fund Balance. The District's total fund balance has generally increased over the last five Fiscal Years from \$5.188 million in Fiscal Year 2019 to \$16.475 million in Fiscal Year 2023. While expenditures have remained flat in the past five Fiscal Years, the increase in revenues due to tax increases and capital funding has grown.

Fiscal Year 2024. Early projections of Fiscal Year 2024 are strong and similar to the Fiscal Year 2024 Budget. As of June 30, 2024, the District has received an estimated \$12.3 million in property tax revenues. This amount is higher than recent years due to delayed distribution of revenues related to Annexed Properties in Charleston being paid by the County and accounted for in Fiscal Year 2024. See "THE DISTRICT—Annexation by the Cities of Charleston and Folly Beach" herein. The District did not incur any material unexpected expenditures in Fiscal Year 2024.

The District believes its facilities and equipment are reliable and will be buttressed by the continued strategic capital improvement plan. The District is committed to providing reliable, quality fire, sanitation and wastewater services.

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PROPERTY ASSESSMENT AND TAXATION

Property Assessment

Constitutional Assessment Ratios. Article X, Section 1 of the State Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

- (1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business: 10.5% of fair market value;
- (2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business: 9.5% of fair market value;
- (3) Legal residence and not more than five contiguous acres: 4% of fair market value (if the property owner makes proper application and qualifies);
- (4) Agricultural real property used for such purposes owned by individuals and certain corporations: 4% of use value (if the property owner makes proper application and qualifies);
- (5) Agricultural property and timberlands belonging to corporations having more than 10 shareholders: 6% of use value (if property owner makes proper application and qualifies);
- (6) All other real property: 6% of fair market value;
- (7) Business inventories: locked-in at 1987 assessed value (as of 1988, there is available an exemption from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the Constitutional Debt limit);
- (8) Motor vehicles: 6.0%; and
- (9) All other personal property: 10.5% of fair market value.

The application of the above ratios to the appraised value results in an assessed value to which the tax rate, expressed in mills, is applied. Recent legislative enactments reduced the effective assessment ratio for certain manufacturing property. See “– Act No. 228” herein.

Property Appraisal and Reassessment. *Property Appraisal and Reassessment.* The South Carolina Department of Revenue (“DOR”) has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the County. Under law enacted by the South Carolina General Assembly in 1995, every fourth year the County and the State are required by law to effect an appraisal of all property within the County and to implement that appraisal as a new assessment in the following year. Regulations of DOR effectively require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value. Under present law, reassessment within a county may be delayed upon action of the governing body of such county for one year, and may be further delayed by legislative enactment at the state level. The County last implemented reassessment in 2020.

Reassessment Valuations Limited. The growth in valuation of a parcel of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale of any parcel of real property or other “assessable transfer of interest,” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses, such parcel will be reassessed to its then-current market value, subject to the exception described below. The foregoing limitation on increases in assessed value may materially affect the growth in the County’s assessed value, and, thus, debt limit, over time. Act No. 57 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 2011 (“Act No. 57”) affects the treatment of “assessable transfers of interest” regarding properties assessed at 6% of market value, which classification generally includes second homes and commercial property. Act No. 57 provides that second homes and commercial properties are given a 25% exemption at the point of sale, limited by the property’s assessed market value as determined by the most recent reassessment. Owner-occupied homes will continue to be reassessed to then-current market value at the time of sale or other assessable transfer of interest.

Responsibility for Assessment. The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor (with the exception of Manufacturer’s Real Property which is

certified by the DOR). The County Auditor appraises and assesses all motor vehicles (except for large trucks, which are appraised and assessed by the DOR), marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment. Each year, upon completion of its work, the DOR certifies its assessments to the County Auditor who prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection of taxes. With the exception of motor vehicles, the South Carolina tax control date is December 31st for the ensuing tax year. South Carolina has no statewide property tax.

Act No. 228. In 2022, the State’s General Assembly enacted Act No. 228 of 2022, known as the “Comprehensive Tax Cut Act of 2022” (“*Act No. 228*”), the provisions of which reduced the effective assessment ratio for manufacturers to 6% (exempting 42.8571% of property taxes) effective for the 2022 tax year with no phase-in period. Act No. 228 is intended to benefit small manufacturers or older manufacturers that have not or cannot enjoy the benefits of FILOTs. See “– **Payments in Lieu of Taxes**” below. Act No. 228 requires political subdivisions and school districts to be fully reimbursed by the State for the new exemption in the same manner as from the Trust Fund for Tax Relief. Under Act No. 228, to the extent that the aggregate value of the exemption State-wide exceeds \$170 million in any year, the amount of the exemption is required to be decreased so that the total value of the exemption for the year is reduced to \$170 million. As a result, if the value of the exemption exceeds \$170 million, the effective assessment ratio for affected manufacturers could be higher than 6%.

Property Taxation

Generally. Property taxes are set to help raise sufficient revenue to support a budget duly adopted by the governing body of a political subdivision, considering all available revenue sources, and to pay debt service on general obligation bonds. Pursuant to tax reform enacted by the South Carolina General Assembly in 2006, and now codified at Section 6-1-320 of the South Carolina Code (“*Act No. 388*”), the tax rate for operational millage levied as part of the budgeting process is limited as described below under “–*Operating Millage Limited.*” There is no limitation on the tax rate that may be imposed to provide for debt service payments for lawfully issued general obligation bonds. See “–*Unlimited Debt Service Millage*” below.

Operating Millage Limited. Pursuant to State law, the tax rate for the operating budget, expressed in mills, cannot be raised over a prior year’s rate by a percentage that exceeds the sum of (a) the increase in the consumer price index (CPI) as published by the United States Department of Labor, Bureau of Statistics, plus (b) the rate of population growth of the political subdivision or school district, as determined by the Office of Research and Statistics of the Revenue and Fiscal Affairs Office. However, recent legislative enactments allow for increases in operating millage to the extent allowed but not previously imposed for the three property tax years preceding the year to which the current limit applies. The operational millage limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision, but only for a single year in response to the following:

- (1) a deficiency for the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war or riot;
- (3) compliance with a court order or decrees;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent (10%) or more the amount of revenue payable to the taxing jurisdiction in the preceding year;
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of this section for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government;
- (6) the purchase of certain property or development rights near military bases as detailed at Section 6-1-320(B)(6); or
- (7) the purchase of capital equipment and related expenditures concerning the installation, operation and purchase thereof, but only in a county having a population of less than 100,000 and having at least 40,000 acres of state or national forest land.

For items (1) through (5) above, the amount of the tax imposed for that purpose must be listed on the tax bill as a separate surcharge with the purpose identified. The restriction on operating millage is not applicable to millage that is levied to maintain a reserve account.

Millage in Years of Reassessment. In the year reassessment is implemented, political subdivisions of the State are limited in the level of millage they may impose. This limited millage levy is referred to as the “rollback” millage. The intended effect of rollback millage is to limit the millage rate to that millage rate which, following a reassessment, will produce the same revenues as were produced in the year preceding reassessment. The rollback millage may be increased by the percentage increase in the

consumer price index for the year immediately preceding the year of reassessment. The rollback millage limitation is inapplicable to millage necessary to pay general obligation debt. Act No. 388 prohibits political subdivisions from overriding the rollback millage limitation except to meet certain specified conditions. Political subdivisions are also limited to the amount by which millage may be increased in a year in which reassessment is not being imposed.

Unlimited Debt Service Millage. General obligation bonds issued by political subdivisions are secured by the full faith, credit and taxing power of the political subdivision and such debt service millage is not subject to millage rate limitations. Pursuant to the Enabling Act, the District is authorized to issue the Bonds and impose *ad valorem* property taxes without limit to defray debt service on the Bonds.

Tax Exemptions

Homestead Exemptions. The State provides, among other exemptions, two exemptions for homesteads. The first is a general exemption from all *ad valorem* property taxes and applies to the first \$50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled, or legally blind (the “**Homestead Exemption**”).

The second exemption exempts all owner-occupied real property in the State from *ad valorem* property taxes levied for school district operations (the “**New Homestead Exemption**”). This exemption and associated sales tax are described in more detail in the section entitled “—**Sales Tax Mechanisms to Defray Property Taxes—State-Wide Sales Tax Imposition and Associated Exemption of Owner-Occupied Property from School Operating Taxes**” below.

As a result of the exemptions described herein, in both cases, the revenues that would have been received by the various taxing entities from the taxpayers of the County, as a result of the homestead exemptions, are now replaced by funds from the State. In each case the State pays each taxing entity the amount to which it is entitled by April 15 of each year.

Manufacturing Property Exemption. Article X, Section 3 of the State Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may grant a similar exemption to manufacturing establishments.

Sales Tax Mechanisms to Defray Property Taxes

State-Wide Sales Tax Imposition and Associated Exemption of Owner-Occupied Property from School Operating Taxes. Pursuant to property tax reform enacted by the South Carolina General Assembly and a State-wide referendum, a one-percent sales tax was imposed State-wide beginning on July 1, 2007. The additional tax does not apply to certain items, including certain accommodations (e.g. hotels, motels, campgrounds and the like), items taxed at a defined maximum amount (e.g., automobiles, taxed at a maximum of \$300, regardless of sales price), and unprepared food. Receipts from the new one percent sales tax must be credited to the “Homestead Exemption Fund” created pursuant to Act No. 388.

In connection with the State-wide one-percent sales tax referenced above, effective beginning with Fiscal Year 2008, all owner-occupied real property in the State became exempt from *ad valorem* property taxes levied for school district operations. Proceeds of the sales tax deposited in the Homestead Exemption Fund are distributed to the school districts of the State in substitution for the *ad valorem* taxes not collected as a consequence of the New Homestead Exemption. The aggregate amount of sales taxes distributed to the school district or districts on a per county basis shall not be less than \$2,500,000. The aggregate reimbursement to the school districts of the State increase by an amount equal to the percentage increase in the previous year of CPI, plus the percentage increase in the previous year in the population of the State.

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraph must be distributed to the 46 counties of the State, proportionately based upon population, and applied as a credit against *ad valorem* property taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes. To the extent revenues in New Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts, Act No. 388 provides that the shortfall shall be paid from the State’s general fund.

Local Option Sales Tax for Additional Property Tax Relief. Act No. 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. An additional local sales tax authorized by Act No. 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against (a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales tax exceed one percent. Act No. 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. Such a 1% local sales tax was imposed in the County beginning July 1, 1991. The collections for this sales tax within the County totaled \$94,158,394 for 2023, the most recent year for which information is available from DOR; however, this sales tax is not directly applied as a credit against *ad valorem* property taxes levied by the District. But see “- *Costs Sharing Agreement*” below.

Cost Sharing Agreement. The District and the Town have entered into that certain Cost Sharing Agreement, dated as of September 13, 2019 (the “*Cost Sharing Agreement*”), as a means for the District and the Town to reduce the total amount of the property taxes for the Town’s taxpayers, all of whom are also located within the boundaries of the District. See “**THE DISTRICT—Location of District; Service Area – Town of James Island**” herein. The Cost Sharing Agreement came about because the Town has historically received revenue from the County’s 1% local option sales tax which the Town sought to return to its taxpayers; however, the Town has not historically levied *ad valorem* property taxes against which it could return these moneys to its taxpayers as a credit. Under the Cost Sharing Agreement, the James Island Town Council, as the governing body of the Town, may include in its annual budget an amount to be paid to the District, and the District, working along with the County Auditor, provides a property tax credit to the Town’s and District’s joint taxpayers that, in the aggregate, is equal to the payment from the Town. Credits are allocated among these taxpayers on the basis of the appraised value of each item of taxable property as a percentage of the total appraised value of all taxable property within the Town. In addition, the Town pays the District an administrative fee of 1% of the total payment from the Town. The Cost Sharing Agreement is subject to a one-year term that renews annually, and neither the Town nor the District are obligated to participate in the property tax credit in any year. The Cost Sharing Agreement has been renewed each year since implementation, resulting in the following credits amounts (including the administrative fee):

<u>Year</u>	<u>Credit Amount</u>
2019	\$1,010,000
2020	900,000
2021	1,068,000
2022	1,269,996
2023	1,284,000
2024	1,360,000

Payments in Lieu of Taxes

The State has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of \$2.5 million (\$1 million in some counties and for certain “Brownfield” sites) or more may be negotiated for payments in lieu of taxes for a period of 30 years, with the possibility of a 10-year extension, based on assessment ratios as low as 6% and using millage rates that are either fixed for the term of the agreement or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for projects creating at least 125 new jobs and providing new invested capital of not less than \$150 million and a total investment of not less than \$400 million. For these projects, payments may be negotiated based on assessment ratios as low as 4% and for a term of 40 years, subject to extension in certain circumstances.

The State provides alternative provisions relating to the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty industrial park (“*MCIP*”) are allocated in proportion to the amounts that would have been received by the taxing entities if the payments were taxes; and (ii) revenues received from property that is in a MCIP distributed in accordance with the agreement creating such park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by each county. Property may be included in a MCIP under terms of agreements between two or more counties with individual sites being determined primarily by the county in which they are located. Payments in lieu of taxes may be diverted from taxing entities to fund projects which support economic development activities, including projects that are used solely by a single enterprise.

The effect of the above-described incentives is that, notwithstanding the fixed payments by the industry, a county’s share of these payments will vary in each year in accordance with the ratio its millage rates for that year bear to the total millage rates that would otherwise apply to the property, or as required by the agreement. Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of the index of tax paying ability pursuant to the South Carolina Education Financing Act. If the property is situated in a MCIP, the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from a MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

If a county, municipality or special purpose district pledges to the repayment of special source revenue bonds any portion of the revenues received by it from a payment in lieu of taxes, it may not include in the calculation of its general obligation debt limit the value of the property that is the basis of the pledged portion of revenues. If such political subdivision, prior to pledging revenues to secure a special source revenue bond, has included an amount representing the value of a parcel or item of property that is the subject of a payment in lieu of taxes in the assessed value of taxable property located in the political subdivision and has issued general obligation debt within a debt limit calculated on the basis of such assessed value, then it may not pledge revenues based on the item or parcel of property, to the extent that the amount representing its value is necessary to permit the outstanding general obligation debt to not exceed the debt limit of the political subdivision.

As an alternative to the issuance of special source revenue bonds, the owners of qualifying projects may receive a grant equal to the payments in lieu of taxes due from the project in order to pay certain project costs. If a county, municipality or special purpose district agrees to allow a credit against the payments in lieu of taxes it would otherwise receive, it is subject to the limitations on the calculation of its debt limit as described in the preceding paragraph.

Assessed Values of the District

The estimated assessed values of the District are set forth below. Tax values are generally reported on a tax year basis (reference to a “*Tax Year*” herein being reference to the calendar year taxes are assessed, levied, and billed).

Fiscal <u>Year</u>	Tax <u>Year</u>	Estimated Total <u>Assessed Value</u>
2024	2023	\$146,207,649
2023	2022	139,007,477
2022	2021	134,032,474
2021	2020	128,518,622
2020	2019	114,734,584

Source: Office of the County Auditor.

Market Values of the District

The estimated market values of the District are set forth below. Tax values are generally reported on a Tax Year basis.

Fiscal <u>Year</u>	Tax <u>Year</u>	Estimated Total <u>Market Value</u>
2024	2023	\$3,100,936,395
2023	2022	2,957,929,116
2022	2021	2,847,607,400
2021	2020	2,754,893,151
2020	2019	2,434,427,468

Source: Office of the County Auditor.

Market Value and Assessment Summary

The table below shows the estimated market values and assessed values of the taxable property within the District for the property classes shown as of June 30, 2024.

<u>Class of Property</u>	Estimated <u>Market Value</u>	Assessment <u>Ratio (%)</u>	Estimated Assessed <u>Value</u>
Real Property and Mobile Homes	\$2,857,991,167	4.0, 6.0	\$127,795,820
Motor Vehicles	167,912,898	6.0, 10.5	10,647,029
Public Utilities	33,561,048	10.5	3,523,910
Manufacturing Property—DOR Full Levy	7,524	10.5	790
Manufacturing Property—Special Levy	0	10.5	0
Watercraft	31,862,024	4.0, 5.0, 6.0 & 10.5	3,236,740
Aircraft	15,619	10.5	1,640
Business Personal Property—County Auditor	1,504,552	5.0 & 10.5	153,160
Business Personal Property—DOR	8,077,143	10.5	848,100
Rental Residential	4,000	10.5	420
Railroad	421	9.5	40
TOTAL	<u>\$3,100,936,395</u>		<u>\$146,207,649</u>

Source: Office of the County Auditor.

Tax Collection Procedure

The real and personal property taxes in the County are due on or before January 15 of each year with the exception of taxes on motor vehicles. All personal property taxes on motor vehicles are due on or before the last day of the month in which the license tag for each such motor vehicle expires. If property taxes, other than taxes on motor vehicles, are not paid before January 16, a penalty of 3% is added; if not paid before February 2, an additional penalty of 7% is added; if not paid before March 17, an additional penalty of 5% is added and taxes go into execution. Taxes on motor vehicles are subject to similar penalties measured from the due

date thereof. Unpaid taxes, both real and personal, constitute a first lien against the property. The County Treasurer is responsible for the collection of current taxes, while the County Administrator is responsible for the collection of delinquent taxes and is empowered to seize and sell so much of the defaulting taxpayer's estate—real and personal or both—as may be sufficient to satisfy the taxes. Act No. 388 allows taxpayers to pay property taxes in periodic installments, with the last installment due as of January 15 of each year.

Tax Collection Record of the District

The following table shows the amount of all taxes levied on behalf of the District, and current taxes collected as of June 30 of the year following the year in which the levy was made, for the last five fiscal years. Delinquent taxes include taxes levied in prior years but collected in the year shown below.

<u>Fiscal Year</u>	<u>Taxes Subject to Collection</u>	<u>Current Collections</u>	<u>Current % Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Collections</u>	<u>Total % Collected</u>
2024	\$8,914,275	\$8,743,201	98.08%	\$220,458	\$8,963,659	100.55%
2023	8,273,369	7,655,044	96.25	240,010	8,202,755	99.15
2022	7,929,722	7,655,044	96.54	194,918	7,849,962	98.99
2021	7,317,910	7,154,842	97.77	313,996	7,468,838	102.06
2020	7,507,765	7,207,366	95.99	220,329	7,427,695	98.93

Source: Office of the County Treasurer.

Millage History and Total Tax Burden

Presented below is the millage history for District taxes imposed in each of the past five years.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024**</u>
Total Levy*	64.4	60.3	60.0	62.0	67.0

* Operating and Debt Service Tax Levy.

** Levied, but not yet collected.

Source: Office of the County Auditor.

Presented below is the millage history for all taxes imposed by all taxing entities overlapping the District, including the County, and Charleston County School District.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Tax Burden (in mills)	278.9	259.0	285.2	291.5	281.9

Source: Office of the County Auditor.

Ten Largest Taxpayers in the District

The 10 largest taxpayers in the District as of June 30, 2024 are shown in the following table. Taxes invoiced and paid include taxes levied and collected by all overlapping taxing entities.

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Paid</u>	<u>Percentage of Total District Assessed Value</u>
Dominion Energy	\$2,924,300	\$181,306.60	2.0%
YFP LLC	602,840	37,376.08	0.41
Comcast Cablevision of Carolina Inc	407,970	25,294.14	0.27
Go Store It James Island LLC	395,400	24,514.80	0.27
SSTI 1951 Maybank Hwy LLC	327,240	20,288.88	0.22
Terrace Theater Plaza LLC	255,290	15,827.98	0.17
Folly Camp LLC	239,980	14,878.76	0.16
Castellano Bartolomeo Rev Trust	228,750	14,182.50	0.15
Cubsmart LP	225,110	13,956.82	0.15
Lucas Holdings LLC	217,350	13,475.70	0.14

Source: Offices of the County Assessor and Treasurer.

Combined, the properties with the ten highest assessed values in the District comprise 3.9% of the District's total assessed value.

DEBT STRUCTURE

Debt Limit

Article X, § 14 of the State Constitution provides that after November 30, 1977, the governing body of any political subdivision may incur general obligation debt in an amount not exceeding eight percent of the assessed value of all taxable property of such political subdivision (the “*Constitutional Debt Limit*”) and upon such terms and conditions as the General Assembly of South Carolina may prescribe by general law. In addition, Article X, §14(6) of the State Constitution provides that general obligation debt authorized by a majority vote of the qualified electors of the political subdivision pursuant to a referendum will not be considered in the computation of the Constitutional Debt Limit. For the Fiscal Year ended June 30, 2023, the last year for which an assessment of the District has been completed, the total assessed value of all taxable property within the District totaled approximately \$146,207,649 which results in a Constitutional Debt Limit for the District of not less than \$11,696,612. The District currently has \$7,066,148 that is chargeable against its Constitutional Debt Limit. Accordingly, prior to the issuance of the Bonds, the District may issue additional bonds in the total combined principal amount of up to \$4,630,464 without violating its Constitutional Debt Limit. Accordingly, the District may issue the Bonds in the maximum principal amount authorized in the Bond Resolution of \$4,500,000 without exceeding its Constitutional Debt Limit.

The District’s Constitutional Debt Limit is computed below:

Assessed Value	\$ 146,207,649
Constitutional Debt Limit	11,696,612
Outstanding General Obligation Bonds Subject to the Constitutional Debt Limit*	<u>\$7,066,148</u>
Legal Debt Limit Available without a Referendum*	\$4,630,464

* After accounting for a planned principal payment on the General Obligation Bonds, Series 2020A on December 1, 2024 in the amount of \$385,000, the District will have \$5,045,464 of legal debt limit available prior to the planned issuance of the Bonds.

Outstanding Debt

The outstanding general obligation bonded indebtedness of the District as of October 1, 2024, includes the issues listed below:

<u>Description</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Principal Outstanding</u>
General Obligation Bond, Series 1996	November 14, 2036	\$ 363,000	\$ 170,148
General Obligation Bonds, Series 2020A	December 1, 2050	7,060,000	6,275,000
General Obligation Bond, Series 2023	April 1, 2027	2,000,000	<u>621,000</u>
		Total:	<u>\$7,066,148</u>

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Composite Debt Service

The following table shows the aggregate annual principal and interest requirements on the outstanding general obligation bonds of the District, including the Bonds.

Fiscal Year Ended <u>June 30</u>	Outstanding General Obligation <u>Bonds</u> ¹	<u>Bonds</u>		<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	
2025	\$734,864			
2026	750,010			
2027	552,617			
2028	274,802			
2029	277,052			
2030	276,402			
2031	273,927			
2032	282,096			
2033	289,887			
2034	292,450			
2035	294,801			
2036	282,279			
2037	281,133			
2038	287,585			
2039	288,745			
2040	299,560			
2041	299,950			
2042	304,950			
2043	309,750			
2044	314,350			
2045	318,750			
2046	327,900			
2047	227,850			
2048	248,500			
2049	273,600			
2050	273,350			
2051	<u>287,850</u>			
Total:	\$8,925,010			

¹ Numbers reflected in this column are as of November 1, 2024.

Lease Purchase Obligations of the District

The District currently has outstanding several capital leases which were used to purchase vehicles, equipment, and solid waste roll carts. Such leases are recurring obligations of the District but do not count against the Constitutional Debt Limit. Amounts due on such leases over the last five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Annual Payments</u>
2019-20	\$445,214
2020-21	598,774
2021-22	718,622
2022-23	718,622
2023-24	747,309

Overlapping Debt

The following table sets forth: (1) the assessed value for the Fiscal Year ended June 30, 2023, or as otherwise indicated, of all taxable property in each political subdivision having outstanding general obligation debt which overlaps the District, either in whole or in part; (2) the total amount of such general obligation indebtedness of each such political subdivision which was outstanding at June 30, 2023; and (3) the percentage of each political subdivision’s assessed value within the District compared to that political subdivision’s total assessed value.

<u>Taxing Entity</u>	<u>Total</u>	<u>Assessed Value</u>		<u>Gross General Obligation Debt Outstanding</u>	
		Assessed Value Within <u>the District</u>	Gross General <u>Obligation Debt</u>	Percentage <u>Overlap</u>	<u>Overlapping Debt</u>
Charleston County ⁽¹⁾	\$5,474,240,871	\$146,207,649	\$309,843,713	2.66%	\$8,272,827
Charleston County School District ⁽²⁾	5,483,516,561	\$146,207,649	50,405,000	2.66%	\$1,340,773
Charleston County Park and Recreation District	5,479,380,241	\$146,207,649	43,615,000	2.66%	\$1,160,159

⁽¹⁾ Excludes \$339,170,000 of Charleston County general obligation bonds payable from a transportation sales tax imposed within the County.

⁽²⁾ Excludes \$395,895,000 of installment purchase revenue bonds issued on behalf of Charleston County School District by Charleston Educational Excellence Financing Corporation (“*CEEF*”) and in connection with which Charleston County School District makes certain payments for the acquisition of facilities in an amount sufficient, subject to annual appropriation, for CEEF to in turn make debt service payments on the installment purchase revenue bonds.

Note: Excludes short term debt.

Source: As reported by the County Auditor, each respective entity in their financial statements for the fiscal year ended June 30, 2023, and other publicly available means.

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CERTAIN LEGAL MATTERS

Litigation

No litigation is currently pending or, to the knowledge of the District, threatened in any court to restrain, enjoin, or contest the issuance or delivery of any of the Bonds or the levy of *ad valorem* property taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Approving Ordinance or the Bond Resolution or contesting the right of any member of the Commission to hold any office to which he or she was elected.

Legal Opinions

Certain legal matters with regard to the issuance of the Bonds are subject to the approval of Pope Flynn, LLC, Bond Counsel, whose approving opinion will be available at the time of delivery of the Bonds and the form of which is attached to this Official Statement as **APPENDIX D**.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. Bond Counsel's opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts of circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the "*IRS*") or the courts; rather, such opinion represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

Pope Flynn, LLC has also served as Disclosure Counsel to the District with regard to the issuance of the Bonds. In such capacity Disclosure Counsel has reviewed certain information supplied by the District and others included in this Official Statement.

Certain legal matters will be passed on for the District by Rosen Hagood, LLC, counsel to the District.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Effects of Bankruptcy

The undertakings of the District should be considered with reference to Chapter 9 of the Bankruptcy Code, 11 U.S.C. §§ 901, *et seq.*, as amended, and other laws affecting creditors' rights and municipalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness or alter the payment terms, maturity schedule and other provisions governing the indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the Bonds. *In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the Bonds.*

Hurricanes

Due to the location of the District, the services it provides may be interrupted by the occurrence of a hurricane or other weather phenomena. Should the facilities of the District be damaged by such occurrence, the District is insured against any physical loss or damage in an amount the District believes is sufficient to cover the loss of such assets. However, such insurance would not cover the loss of tax revenues caused by a diminution in property tax values caused by such event.

It is unknown, and the District cannot predict, how a hurricane and the ensuing destruction therefrom could diminish property tax values or impact the County's ability to timely levy and collect the taxes securing the Bonds.

Earthquakes

Earthquakes are not an uncommon occurrence in South Carolina. Most earthquakes worldwide occur at plate boundaries when plates stick and then jump past each other. The cause of earthquakes in South Carolina is not so clear; the quakes are located within a plate rather than at a plate boundary. In South Carolina, approximately 70 percent of the earthquakes occur in the Coastal Plain and most are located around areas west and north of Charleston. The District takes precautionary measures when constructing new facilities to help mitigate any potential risks to building foundations due to the area's sandy soils. Fire Station #1 was constructed with the installation of earthquake drains, and the Project will also be built with this protective feature. It is unknown how many other buildings within the District maintain earthquake drains or similar mitigation measures.

It is unknown, and the District cannot predict, how a major earthquake event and the ensuing destruction therefrom could diminish property tax values or impact the County's ability to timely levy and collect the taxes securing the Bonds.

Climate Change

Planning for climate change in the State and its impact on District's operations is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the duration, intensity, and frequency of droughts and floods and other significant weather events. Such changes may have a greater impact in coastal areas such as the District. The financial impact of the climate change is not yet known and therefore its future impact on the District, its finances and operations cannot be quantified reliably at this time.

Cyber Security

Computer networks and data transmission and collection are vital to the efficient operations of the District. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the District, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the commercial operations, which could materially adversely affect the operations of the System. The District utilizes specialized third parties to maintain the servers and software of the District and to maintain the control systems for the System. The District maintains an insurance policy for loss stemming from cyber security related claims.

The District cannot advise of the cyber-security protocols, limitations or liabilities of the County. In the event that a cyber event or other attack affected the County or its ability to levy and collect taxes securing the Bonds, a delay in payment or potential default could occur.

Annexation

As described in "THE DISTRICT—Annexation and Boundary Changes" and "THE DISTRICT—Annexation by the Cities of Charleston and Folly Beach", the District is a risk of annexation by Charleston and Folly Beach. While this risk is currently limited due to the Rural Development Bond and the protection afforded by Section 1926(b), annexations occurring after the Rural Development Bond matures may materially reduce the number of tax-payers available to pay taxes securing the Bonds.

TAX MATTERS

Federal Income Tax Treatment of Interest on the Bonds

On the date of issuance of the Bonds, Pope Flynn, LLC, in its capacity as Bond Counsel to the District (“*Bond Counsel*”), will render an opinion that, under existing law, assuming continuing compliance with certain covenants made by the District to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), and the applicable regulations promulgated thereunder (the “*Regulations*”), and the accuracy of certain representations, interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code. Such interest is, however, taken into account in determining the annual adjusted financial statement income of certain applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the application of the 15-percent alternative minimum tax imposed on the adjusted financial statement income of such corporations under Section 55 of the Code. (In general, an “applicable corporation” is a corporation whose average annual adjusted financial statement income (*i.e.*, adjusted book income) exceeds \$1 billion for the 3-taxable year period ending with the tax year in question.). See “**APPENDIX D–FORM OF OPINION OF BOND COUNSEL**” attached hereto.

The opinion of Bond Counsel is based on current statutes, regulations, judicial decisions, rulings, and other published guidance of the Internal Revenue Service (the “*IRS*”), covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. Bond Counsel’s opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the District comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure, and investment of the gross proceeds of the Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Bonds in order for interest thereon to be, or to continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the inclusion of interest on the Bonds in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned on continuing compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Bonds.

Designation as Qualified Tax-Exempt Obligations

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institution’s interest expense allocable to interest on the Bonds.

Other Federal Income Tax Considerations Affecting the Bonds

Prospective purchasers of the Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of Bonds should consult their tax own advisors as to the applicability thereof.

From time to time, there are legislative proposals in Congress which, if enacted into law, could eliminate or reduce the exclusion of the interest on the Bonds from gross income for federal income tax purposes or which might otherwise adversely affect the benefit or marketability of the Bonds. No prediction can be made as to whether any such provisions will be enacted as proposed or concerning other future legislation which, if passed, might affect the tax treatment of interest on the Bonds. Similarly, future clarifications of the Code by the IRS and court proceedings interpreting the Code could likewise affect the treatment of interest on the Bonds, as well as the benefit or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, court proceedings, and IRS actions, as to all of which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds,

and, unless separately engaged, Bond Counsel is not obligated to defend the District or the holders of the Bonds regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS.

Under current procedures, parties other than the District and their appointed counsel, including the holders of the Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable.

Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the holders of the Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the District may be obligated to disclose the commencement of an audit under the Disclosure Dissemination Agreement (a copy of which is attached as **APPENDIX E** to this Official Statement).

[Original Issue Discount

Certain of the Bonds have been sold at an initial offering price which is less than the principal amount thereof payable at maturity (“**Discount Bonds**”). The difference between the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of each maturity of Discount Bonds is sold and the principal amount payable at maturity constitutes original issue discount.

In the case of Discount Bonds, Bond Counsel is of the opinion that original issue discount, as it accrues, is excluded from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the “constant yield method” described in Regulations interpreting Section 1272 of the Code, with certain adjustments.

The tax basis of Discount Bonds if held by an original purchaser, can be determined by adding to such owner’s purchase price of such Discount Bonds the original issue discount that has accrued.

Owners of the Discount Bonds should consult their own tax advisers with respect to all matters relating to such discount.]

[Original Issue Premium

Certain of the Bonds have been sold at an initial offering price which is greater than the amount payable at maturity (“**Premium Bonds**”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes original issue premium.

For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond.

Bond premium *must* be amortized by the owner of a Premium Bond. The owner of a Premium Bond *may elect* to amortize bond premium, in which case such premium, as it amortizes, offsets interest on the Bond accruing during the same period.

For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover page of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of the Premium Bonds should consult their own tax advisers with respect to all matters relating to such bond premium.]

Reporting and Withholding Requirements

Payments of interest, including payments of tax-exempt interest on the Bonds, are generally subject to IRS Form 1099-INT information-reporting requirements.

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Bonds if such owner, upon issuance of the Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails properly to report interest, dividends, or other "reportable payments" (as defined in the Code), or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

These requirements do not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

State Tax Exemption

Bond Counsel is of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities, and school districts, except estate, transfer, and certain franchise taxes. Interest paid on the Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax.

The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Bonds or the interest thereon under the laws of any other jurisdiction.

MISCELLANEOUS

Underwriting

The Bonds have been purchased at a competitive sale from the District for resale by _____ (the "**Purchaser**"). The Purchaser has agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of \$ _____ (representing the aggregate principal amount of the Bonds of \$ _____, plus a premium, net of underwriter's discount of \$ _____). The initial public offering prices shown on the inside cover page of this Official Statement may be changed from time to time by the Purchaser. The Purchaser may also allow a concession from the public offering prices to certain dealers. If the Bonds are sold at the public offering yields as set forth on the inside cover page hereof, the Purchaser anticipates an underwriter's discount of \$ _____. The Purchaser has received no fee from the District for underwriting the Bonds.

Rating

The Bonds received a rating of "AA-" by S&P Global Ratings (the "**Rating Service**"). Such rating reflects only the view of the Rating Service and an explanation of the significance of such rating may be obtained from the Rating Service. The District has furnished to the Rating Service certain information and materials respecting the District and the Bonds. Generally, the Rating Service bases its rating on such information and materials and on investigations, studies and assumptions furnished to and obtained and made by it. There is no assurance that such rating will remain unchanged for any period of time or that they may not be lowered or withdrawn entirely by the Rating Service, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Continuing Disclosure

Rule 15c2-12 Undertaking. In accordance with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5) ("**Rule 15c2-12**" or the "**Rule**"), the District will agree, pursuant to a Disclosure Dissemination Agent Agreement (the "**Disclosure Dissemination Agreement**") to be dated as of the date of delivery of the Bonds between the District and Digital Assurance Certification, L.L.C. ("**DAC**"), for the benefit of holders of the Bonds, to provide certain financial information and operating data relating to the District by not later than seven months after each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024 (the "**Annual Information**"), and to provide notices of the occurrence of certain enumerated events. The Annual Information and the notices of material events will be filed on behalf of the District by DAC, as dissemination agent, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("**EMMA**") system as described in the form of Disclosure Dissemination Agreement attached hereto as **APPENDIX E**. Notice of certain significant events will be filed by or on behalf of the District with EMMA. The nature of the information to be provided in the Annual Information and the notices of certain significant events is set forth in "**APPENDIX E—Form of Disclosure Dissemination Agreement**" attached hereto.

In order to meet its annual financial information reporting requirements for the District's \$7,060,000 General Obligation Bonds, Series 2020A, which are subject to the Rule, the District files its financial statements and certain operating information specified for such bonds. The District was required to file a notice of incurrence of financial obligation related to capital lease financing transactions between the District and U.S. Bancorp Government Leasing and Finance, Inc., particularly Schedule No. 5

in the principal amount of \$961,522 and Property Schedule No. 6 in the principal amount of \$647,744, each of which were dated and issued on May 17, 2021 (the “**2021 Capital Leases**”). While notice of the 2021 Capital Leases was posted to EMMA on June 10, 2021, such notice was not timely filed under the Rule.

State Law Requirements. In accordance with Section 11-1-85 of the South Carolina Code and the Bond Resolution, the District has covenanted to file with a central repository for availability in the secondary bond market, when requested: (1) an annual independent audit, within thirty days of the District’s receipt of the audit; and (2) event specific information, within thirty days of an event adversely affecting more than five percent (5%) of the District’s revenue or tax base, all in compliance with relevant State and law. The only remedy for failure by the District to comply with this covenant will be an action for specific performance. Moreover, the District specifically reserves the right to amend the covenant to reflect any change in such Section 11-1-85 without the consent of any bondholder.

Financial Advisor

Compass Municipal Advisors, LLC serves as financial advisor (“**Financial Advisor**”) to the District for debt management and other financial matters. The Financial Advisor has acted as independent financial advisor to the District with respect to the Bonds. The Financial Advisor is an independent Municipal Advisor, registered with the MSRB and the United States Securities and Exchange Commission and is not engaged in the business of underwriting, trading or distributing securities or providing advice to investors. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. With the exception of the description of the Financial Advisor and information explicitly citing the Financial Advisor (collectively the “**Cited Information**”), no information contained in this Official Statement may be treated as attributable to the Financial Advisor. Neither the Cited Information, or any of the services provided by the Financial Advisor to the District constitute investment advice or any other advice to persons considering an investment in the Bonds.

Closing Certifications

The District will furnish, without cost to the successful bidder for the Bonds, certifications by appropriate officials that this Official Statement as of its date and as of the date of delivery of the Bonds, does not contain an untrue statement of a material fact and does not omit to state a material fact which should be included therein for the purpose for which this Official Statement is intended to be used or which is necessary to make the statements contained therein, in the light of the circumstances in which they were made, not misleading. In addition, a certificate to the effect that there is no litigation threatened or pending to restrain the issuance and sale of the Bonds will be delivered at the closing of the Bonds.

Appropriate certification will also be given by District officials to establish that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code, and applicable regulations thereunder in effect on the occasion of the delivery of the Bonds.

Sources

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and the determinations of the Commission relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and the authorizing ordinances and resolutions and to such determinations. All such summaries, explanations and references are further qualified in their entirety by reference to the exercise of sovereign police powers of the State and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Certain of the information set forth in this Official Statement and in the Appendices hereto has been obtained from sources other than the District that are believed to be reliable but is not guaranteed as to accuracy or completeness by the District. The information and expressions of opinion in this Official Statement are subject to change, and neither the delivery of this Official Statement nor any sale made under such document will create any implication that there has been no change in the affairs of the District.

Financial Statements and Other Financial Information

Audited financial statements for the fiscal year ended June 30, 2023, included in **APPENDIX A** attached hereto, have been audited by Love Bailey & Associates, LLC, as stated in that firm’s report appearing in **APPENDIX A** attached hereto. The financial statements for the year ended June 30, 2023 have been included in reliance on the report of Love Bailey & Associates, LLC.

Certain of the information set forth in the Official Statement and in the Appendices hereto has been obtained from sources other than the District that are believed to be reliable but is not guaranteed as to accuracy or completeness by the Purchaser or the District.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. Further, certain statements included or incorporated by reference in this

Official Statement constitute “forward-looking statements.” These types of statements are generally identifiable by the terminology employing such terms as “plan,” “expect,” “estimate,” “budget,” “forecast,” “project,” or similar terminology. Forward looking statements are included in various portions of this Official Statement.

Conclusion

The information in this Official Statement has been assembled for the purpose of enabling those who may purchase and sell the Bonds to have appropriate information to evaluate the worth of the Bonds. The undersigned believes that the information herein furnished should be sufficient for the purposes for which it is intended. If, however, additional information or explanations are required, inquiries may be made to Ed Kilcullen, James Island Public Service District, 1739 Signal Point Road, Charleston, South Carolina 29422 (telephone: (843) 998-6175, email: kilcullene@jipsd.org); Lawrence E. Flynn III, Esquire, Bond Counsel, Pope Flynn, LLC, 1411 Gervais Street, Suite 300, Columbia, South Carolina 29201 (telephone: (803) 354-4902, email: lflynn@popeflynn.com); or Michael George, Financial Advisor, Compass Municipal Advisors, LLC, 1310 Pulaski Street, Columbia, South Carolina 29201 (telephone: (859) 806-7680, email: michael.george@compassmuni.com).

This Official Statement and its distribution and use by the Purchaser has been duly authorized and approved by the District.

**JAMES ISLAND PUBLIC SERVICE DISTRICT,
SOUTH CAROLINA**

By: _____
Chair
James Island Public Service District Commission

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**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

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JAMES ISLAND PUBLIC SERVICE DISTRICT

SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

**JAMES ISLAND PUBLIC SERVICE DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
James Island Public Service District
James Island, South Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund and the aggregate remaining fund information of James Island Public Service District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise James Island Public Service District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of James Island Public Service District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of James Island Public Service District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about James Island Public Service District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the James Island Public Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about James Island Public Service District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefits schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Island Public Service District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining balance sheet – non-major funds and combining statement of revenues, expenditures and changes in fund balances – non-major funds but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matters

As discussed in Note 11 to the financial statements, James Island Public Service District recorded a prior period adjustment related to capital assets and debt.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2023 on our consideration of James Island Public Service District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering James Island Public Service District’s internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
December 6, 2023

JAMES ISLAND PUBLIC SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The James Island Public Service District's discussion and analysis offers readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, in the financial statements and the notes to the financial statements.

Financial Highlights

- The James Island Public Service District's assets exceeded its liabilities at June 30, 2023 by \$53,262,405 (net position).
- The District's total net position increased \$4,396,391 with increases of \$1,744,973 and \$2,651,418 from governmental activities and business-type activities, respectively. The District's governmental activities had a favorable net change in the OPEB of approximately \$362,000 and favorable net change in the pension of approximately \$40,000.
- For the fiscal year ending June 30, 2023, the District maintained four governmental funds which are its General Fund, Debt Service Fund, Capital Projects Fund, and One Percent Fund. The District's governmental fund balance sheet reported a combined ending fund balance of \$16,474,993, an increase of \$3,942,547 from the previous fiscal year. Of this amount, \$13,527,246 is unassigned.
- The General Fund reported actual revenues of \$25,397 under budget and expenditures of \$1,083,852 under budget. General Fund expenditures include \$246,815 in capital outlay for equipment. The General Fund reported other financing sources revenue in the amount of \$3,142,442 with \$3,001,103 coming from the proceeds from debt issuance.

Overview of the Financials

This discussion and analysis is intended to serve as an introduction to the James Island Public Service District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (uncollected taxes and earned but unused vacation leave).

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Both government-wide financial statements distinguish functions of the James Island Public Service District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District’s governmental activities include general government, public safety - fire, and health – solid waste. The District’s business-type activities include a wastewater utility system.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statement

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The James Island Public Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The James Island Public Service District maintained four governmental funds during the fiscal year 2022-2023. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, One Percent Fund and Capital Project Fund. General Fund is the only major fund.

The James Island Public Service District adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary funds – The James Island Public Service District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its wastewater utility system.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial statements of proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-43 of this report.

Government-wide Financial Analysis

The government-wide financial statements are provided as part of the approach mandated by the GASB, which sets the uniform standards for presenting government financial reports. These reports provide complete comparative information as summarized in this Management's Discussion and Analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of James Island Public Service District, assets exceeded liabilities by \$53,262,405 at the close of the most recent fiscal year. The District's increase in net position for this fiscal year amounts to \$4,396,391.

For the current year, the largest portion of the District's net position reflects its investment in capital assets (land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2023	2022	2023	2022	2023	2022
Current assets and other	\$ 24,920,060	\$ 20,335,962	\$ 11,300,442	\$ 9,201,218	\$ 36,220,502	\$ 29,537,180
Capital assets, net	11,927,980	12,579,398	49,384,290	49,223,512	61,312,270	61,802,910
Total assets	36,848,040	32,915,360	60,684,732	58,424,730	97,532,772	91,340,090
Deferred outflows	1,508,264	3,450,465	453,321	838,108	1,961,585	4,288,573
Total assets and deferred outflows	\$ 38,356,304	\$ 36,365,825	\$ 61,138,053	\$ 59,262,838	\$ 99,494,357	\$ 95,628,663
Current and other	\$ 2,386,393	\$ 9,899,671	\$ 2,316,218	\$ 4,215,649	\$ 4,702,611	\$ 14,115,320
Long-term liabilities	20,011,874	9,350,225	21,146,831	19,191,029	41,158,705	28,541,254
Total liabilities	22,398,267	19,249,896	23,463,049	23,406,678	45,861,316	42,656,574
Deferred inflows	305,340	3,427,911	65,296	846,536	370,636	4,274,447
Total liabilities and deferred inflows	22,703,607	22,677,807	23,528,345	24,253,214	46,231,952	46,931,021
Net position						
Net investment in capital assets	(2,015,834)	1,531,907	27,507,126	28,910,744	25,491,292	30,442,651
Restricted	3,717,918	3,268,293	2,751,129	2,582,244	6,469,047	5,850,537
Unrestricted	13,950,613	8,887,818	7,351,453	3,516,636	21,302,066	12,404,454
Total net position	\$ 15,652,697	\$ 13,688,018	\$ 37,609,708	\$ 35,009,624	\$ 53,262,405	\$ 48,697,642

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

An additional portion of the District's net position represents resources that are restricted as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens, creditors, and customers within the respective governmental and business-type activities. At the end of the current fiscal year, the James Island Public Service District is able to report positive balances in the net position as a whole and individually within the governmental and business-type activities.

The changes in net position displayed below show the governmental and business-type activities during the fiscal year. The increase in entity-wide net position is due to the combination of the increases in net position in both the Governmental Activities and Business-Type Activities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2023	2022	2023	2022	2023	2022
Charges for services	\$ -	\$ -	\$ 10,309,340	\$ 9,455,074	\$ 10,309,340	\$ 9,455,074
General revenues	10,473,498	11,402,756	1,118,482	-	11,591,980	11,402,756
Total revenues	10,473,498	11,402,756	11,427,822	9,455,074	21,901,320	20,857,830
Program expenses	8,728,525	2,119,887	8,776,404	6,981,687	17,504,929	9,101,574
Increase in net position	1,744,973	9,282,869	2,651,418	2,473,387	4,396,391	11,756,256
Beginning net position, restated	13,907,724	4,405,149	34,958,290	32,536,237	48,866,014	36,941,386
Total net position	\$ 15,652,697	\$ 13,688,018	\$ 37,609,708	\$ 35,009,624	\$ 53,262,405	\$ 48,697,642

Financial Analysis of James Island Public Service District Funds

As noted earlier, The James Island Public Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the James Island Public Service District governmental funds reported combined fund balances of \$16,474,993 an increase of \$3,942,547 compared to prior year balances. 82% of this total amount constitutes unassigned fund balance, which is available for spending at the District's discretion.

The remainder of the fund balance is split between a nonspendable amount of \$94,114, \$487,722 being restricted that is not available for new spending because it has already been restricted for specific purposes, and \$2,365,911 being committed due to the District's Board setting aside this money for specific purposes.

The General Fund is the primary operating fund of the District. At June 30, 2023, the total fund balance in the General Fund was \$13,152,922. The General Fund balance increased by \$3,588,757 during the current fiscal year. This increase is mainly a result of proceeds from debt issuance in the amount of \$3,001,103.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In addition to the General Fund the District's other nonmajor governmental funds are the Debt Service Fund, Capital Projects Fund and One Percent Fund. At June 30, 2023 the total fund balance in each fund was \$2,683,973, \$468,438 and \$169,660, respectively. Debt service fund balance increased during the fiscal year by \$333,417, Capital Projects fund balance decreased by \$70,771 and One Percent Fund increased by \$91,144.

Proprietary funds – The District's Proprietary Fund provides the same type of information found in the government-wide financial statements, but with greater detail. At June 30, 2023, total net position of the Wastewater Utility System amounted to \$37,609,708 as compared to a total net position balance of \$34,958,290 at June 30, 2022. The increase in net position of \$2,651,418 for the fiscal year is due increasing revenue and decreasing expenditures during the fiscal year.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund. The General Fund budgeted revenues of \$9,359,500 before other financing sources and achieved actual revenues of \$9,334,103, or \$25,397 less than budgeted. Property tax revenues decreased and grant revenue increased. Expenditures were budgeted for \$9,971,640 with actual expenditures of \$8,887,788.

Capital assets – The James Island Public Service District's investments in capital assets for its governmental and business type activities as of June 30, 2023, amounts to \$61,312,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, and equipment. Major capital asset events in the current year included the following (see Note 5):

- For the James Island Public Service District to meet the needs and continue to provide high quality response and services, the District bought vehicles and various equipment for \$431,385 during the year.
- The District continues to upgrade, update and repair projects with the sewer system and functions of the District. Various upgrades and various construction in progress in the amount of \$1,417,679 regarding the sewer system during the fiscal year. Additionally, other construction in progress was started but not completed during the year.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets, not being depreciated				
Land	\$ 1,600,664	\$ -	\$ -	\$ 1,600,664
Construction in Progress	-	85,622	-	85,622
Total non-depreciable assets	1,660,664	85,622	-	1,686,286
Capital assets, being depreciated				
Buildings	7,850,974	7,761	(2,558)	7,856,177
Fencing, paving & landscaping	32,488	-	(2,480)	30,008
Vehicles	5,832,242	50,393	(71,166)	5,811,469
Machinery and fire equipment	1,566,313	182,093	-	1,748,406
Furniture and office equipment	248,866	-	-	248,866
Communication	760,114	6,317	-	766,431
Total capital assets, being depreciated	16,290,997	246,564	(76,204)	16,461,357
Less: accumulated depreciation	(5,447,163)	(831,469)	58,969	(6,219,663)
Total capital assets, being depreciated	10,843,834	(584,905)	(17,235)	10,241,694
Governmental activities capital assets	\$ 12,444,498	\$ (499,283)	\$ (17,235)	\$ 11,927,980

Business-Type Activities

	Balance July 1, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Non-depreciable assets:					
Land	\$ 814,365	\$ -	\$ -	\$ -	\$ 814,365
Construction in Progress	276,247	1,332,057	(131,730)	-	1,476,574
Total non-depreciable assets	1,090,612	1,332,057	(131,730)	-	2,290,939
Depreciable:					
Buildings	571,392	-	-	-	571,392
Sewer system	58,743,423	-	60,968	(34,215)	58,770,176
Contributed systems	11,191,477	-	-	-	11,191,477
Purchased systems	179,566	-	-	-	179,566
Equipment	175,853	-	-	-	175,853
Vehicles	1,202,243	178,504	-	(27,647)	1,353,100
Communication system	793,036	6,317	70,762	-	870,115
Total depreciable capital assets	72,856,990	184,821	131,730	(61,862)	73,111,679
Less accumulated depreciation	(24,574,356)	(1,505,834)	-	61,862	(26,018,328)
Total depreciable capital assets, net	48,282,634	(1,321,013)	131,730	-	47,093,351
Total capital assets, net	\$ 49,373,246	\$ 11,044	\$ -	\$ -	\$ 49,384,290

Long-term debt - At the end of the current fiscal year, the James Island Public Service District had total debt outstanding in the amount of \$31,756,702. Debt instruments outstanding consist of general obligation bonds and capital leases for Governmental Activities and revenue bonds, state revolving loans, and capital leases for Business-type Activities. Overall Governmental Activities and Business-type Activity debt outstanding totaled \$13,042,695 and \$19,586,225, respectively, includes accrued compensated absences.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The District’s overall General Obligation bonds, revenue bonds and state revolving fund loans experienced payment decreases of \$355,134, \$33,347, and \$969,303, respectively. Capital leases had a net increase of \$2,547,251 due to an additional capital lease. See Note 8 for further details on outstanding debt.

Net other post-employment benefits plan liability experienced a decrease in the amount of \$357,007 due to the OPEB being dissolved. Net pension plan liability experienced an increase of \$1,770,922 when compared to the prior year. See Note 6 and Note 7 for further details on decreases and plan information.

Economic Outlook

The area’s economy was stable and shows continued growth during fiscal year 2024. The unemployment rate for the area is currently 3.0 percent, which is in line with previous years and the lowest in more than ten years. This compares favorably with State of SC rate of 3.1 percent and the national rate of 3.6 percent.

The principal challenge facing the District sewer system is to retain current customers and at the same time, gain new sewer customers as to help spread the fixed cost of operating the sewer system. The District Collection systems Management, Operation, and Maintenance goal is to provide excellent service with effective environmental controls, while ensuring that the District is in a sound financial position to pay all its liabilities now and in the future.

The District’s sanitary sewer operations are entirely supported by user fees as no property taxes are used for this sewer service. Accordingly, sewer rates and charges must be established at a level to cover operations, maintenance, improvement and upgrades to the JIPSD collection system. Inflationary pressures continued to rise, so the District will continue to monitor the economic conditions, reevaluate the current rates and continue to search-out cost saving measures to maintain a stable rate structure.

The District is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the District’s economic outlook during the fiscal year beginning July 1, 2023.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Finance Director, Ed Kilcullen at 1739 Signal Point Road/PO Box 12140, Charleston, South Carolina 29422-2140 or 843-998-6175.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 12,994,412	\$ 8,782,294	\$ 21,776,706
Restricted cash and cash equivalents	3,399,856	2,532,430	5,932,286
Funds held in escrow	318,062	218,699	536,761
Intergovernmental receivables	594,736	-	594,736
Tax receivable (net of allowance)	7,137,012	-	7,137,012
Customer receivables (net of allowance)	-	137,452	137,452
Internal balances	381,868	(381,868)	-
Prepaid expenses	49,574	11,435	61,009
Inventory	44,540	-	44,540
Capital assets			
Non-depreciable capital assets	1,686,286	2,290,939	3,977,225
Depreciable capital assets	10,241,694	47,093,351	57,335,045
Total assets	<u>36,848,040</u>	<u>60,684,732</u>	<u>97,532,772</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,508,264	453,321	1,961,585
Total deferred outflows of resources	<u>1,508,264</u>	<u>453,321</u>	<u>1,961,585</u>
LIABILITIES			
Accounts payable	288,984	444,052	733,036
Accrued salaries and benefits	73,071	33,415	106,486
Accrued interest payable	88,163	407,482	495,645
Customer deposits	-	173,424	173,424
Long-term liabilities			
Net pension liability	8,905,354	2,818,451	11,723,805
Long-term debt:			
Due within one year	1,936,175	1,257,845	3,194,020
Due in more than one year	11,106,520	18,328,380	29,434,900
Total liabilities	<u>22,398,267</u>	<u>23,463,049</u>	<u>45,861,316</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	305,340	65,296	370,636
Total deferred inflows of resources	<u>305,340</u>	<u>65,296</u>	<u>370,636</u>
NET POSITION			
Invested in capital assets, net of related debt	(2,015,834)	27,507,126	25,491,292
Restricted	3,717,918	2,751,129	6,469,047
Unrestricted	13,950,613	7,351,453	21,302,066
Total net position	<u>\$ 15,652,697</u>	<u>\$ 37,609,708</u>	<u>\$ 53,262,405</u>

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
General government	\$ 1,223,638	\$ -	\$ -	\$ (1,223,638)	\$ -	\$ (1,223,638)
Public safety	4,747,811	-	-	(4,747,811)	-	(4,747,811)
Solid waste	2,491,081	-	-	(2,491,081)	-	(2,491,081)
Interest	265,995	-	-	(265,995)	-	(265,995)
Total governmental activities	<u>8,728,525</u>	<u>-</u>	<u>-</u>	<u>(8,728,525)</u>	<u>-</u>	<u>(8,728,525)</u>
Business-type activities						
Wastewater	8,776,404	10,309,340	1,000,000	\$ -	\$ 2,532,936	2,532,936
Total primary government	<u>\$ 17,504,929</u>	<u>\$ 10,309,340</u>	<u>\$ 1,000,000</u>	<u>(8,728,525)</u>	<u>2,532,936</u>	<u>(6,195,589)</u>
GENERAL REVENUES						
Property taxes				9,978,681	-	9,978,681
Merchant's inventory and motor carrier taxes				28,423	-	28,423
Grant income				202,771	-	202,771
One percent income				107,087	-	107,087
Interest income				114,357	93,765	208,122
Gain (loss) on sale of capital assets				9,966	21,121	31,087
Other income				32,213	3,596	35,809
Total general revenues				<u>10,473,498</u>	<u>118,482</u>	<u>10,591,980</u>
Change in net position				1,744,973	2,651,418	4,396,391
Net position, beginning of year, as restated				<u>13,907,724</u>	<u>34,958,290</u>	<u>48,866,014</u>
Net position, end of year				<u>\$ 15,652,697</u>	<u>\$ 37,609,708</u>	<u>\$ 53,262,405</u>

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 12,994,412	\$ -	\$ 12,994,412
Restricted cash	-	3,399,856	3,399,856
Funds held in escrow	-	318,062	318,062
Intergovernmental receivables	537,728	57,008	594,736
Tax receivable (net of allowance)	6,824,772	312,240	7,137,012
Due from other funds	1,808,733	1,040,093	2,848,826
Prepaid expenses	49,574	-	49,574
Inventory	44,540	-	44,540
Total assets	<u>\$ 22,259,759</u>	<u>\$ 5,127,259</u>	<u>\$ 27,387,018</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	288,984	-	288,984
Accrued interest	57,544	30,619	88,163
Accrued salaries and benefits	73,071	-	73,071
Due to other funds	1,048,452	1,418,506	2,466,958
Total liabilities	<u>1,468,051</u>	<u>1,449,125</u>	<u>2,917,176</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	7,638,786	356,063	7,994,849
Total liabilities and deferred inflows of resources	<u>9,106,837</u>	<u>1,805,188</u>	<u>10,912,025</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	49,574	-	49,574
Inventory	44,540	-	44,540
Restricted	-	487,722	487,722
Committed	-	2,365,911	2,365,911
Unassigned	13,058,808	468,438	13,527,246
Total fund balances	<u>13,152,922</u>	<u>3,322,071</u>	<u>16,474,993</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,259,759</u>	<u>\$ 5,127,259</u>	<u>\$ 27,387,018</u>

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - governmental funds	\$ 16,474,993
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:</p>	
Non-depreciable	1,686,286
Depreciable, net of accumulated depreciation	10,241,694
<p>Deferred property taxes are reported in the governmental funds but not reported in governmental activities</p>	
	7,994,849
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:</p>	
Bonds payable	(7,240,838)
Capital Leases Payable	(5,016,690)
Accrued compensated absences payable	(785,167)
Net pension plan liability	(8,905,354)
Deferred outflows - pension plan	1,508,264
Deferred inflows - pension plan	(305,340)
Net position of governmental activities	\$ 15,652,697

The accompanying notes are an integral part of these financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 9,094,756	\$ 883,925	\$ 9,978,681
Intergovernmental revenues	28,423	-	28,423
Grant revenues	202,771	-	202,771
One percent income	-	107,087	107,087
Other	8,153	24,278	32,431
Total revenues	<u>9,334,103</u>	<u>1,015,290</u>	<u>10,349,393</u>
EXPENDITURES			
General government	1,106,705	527	1,107,232
Public safety	4,538,651	15,943	4,554,594
Solid waste	2,291,529	-	2,291,529
Capital outlay	246,815	85,370	332,185
Debt service:			
Principal	642,620	355,133	997,753
Interest	61,468	204,527	265,995
Total expenditures	<u>8,887,788</u>	<u>661,500</u>	<u>9,549,288</u>
Excess (deficiency) of revenues over expenditures	<u>446,315</u>	<u>353,790</u>	<u>800,105</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	27,201	-	27,201
Proceeds from debt issuance	3,001,103	-	3,001,103
Interest income	114,138	-	114,138
Total other financing sources (uses)	<u>3,142,442</u>	<u>-</u>	<u>3,142,442</u>
Net changes in fund balances	3,588,757	353,790	3,942,547
Fund balances, beginning of year	<u>9,564,165</u>	<u>2,968,281</u>	<u>12,532,446</u>
Fund balances, end of year	<u>\$ 13,152,922</u>	<u>\$ 3,322,071</u>	<u>\$ 16,474,993</u>

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balances - Total Governmental Fund	\$	3,942,547
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay		332,185
Depreciation expense		(831,469)
		(499,284)
Repayment of bond and capital lease principal is an expenditure in governmental funds but a reduction of liabilities in the Statement of Net Position		997,753
<p>An item reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund. This activity consists of:</p>		
Change in Net OPEB plan liability		362,364
Change in Net Pension plan liability		(40,069)
<p>Other financing sources which do not provide current resources:</p>		
Gain or loss on the sale of assets		9,966
Proceeds from sale of capital assets		(27,201)
Proceeds from debt issuance		(3,001,103)
		(3,001,103)
Total change in net position	\$	1,744,973

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

ASSETS

Cash and cash equivalents	\$ 8,782,294
Restricted cash and cash equivalents	2,532,430
Funds held in escrow	218,699
Customer receivables (net of allowance)	137,452
Prepaid expenses	11,435
Due from other funds	57,224
Capital assets	
Non-depreciable capital assets	2,290,939
Depreciable capital assets	47,093,351
Total assets	61,123,824

DEFERRED OUTFLOWS OF RESOURCES

Pension plan	453,321
Total deferred outflows of resources	453,321

LIABILITIES

Accounts payable	444,052
Due to other funds	439,092
Accrued salaries and benefits	33,415
Accrued interest payable	407,482
Customer deposits	173,424
Long-term liabilities	
Net pension liability	2,818,451
Long-term debt:	
Due within one year	1,257,845
Due in more than one year	18,328,380
Total liabilities	23,902,141

DEFERRED INFLOWS OF RESOURCES

Pension Plan	65,296
Total deferred inflows of resources	65,296

NET POSITION

Invested in capital assets, net of related debt	27,507,126
Restricted	2,751,129
Unrestricted	7,351,453
Total net position	\$ 37,609,708

The accompanying notes are an integral part of these financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

OPERATING REVENUES

District customer	\$ 5,896,990
Transportation customer	1,791,860
Full charge customer	1,649,115
Wholesale customer	558,626
Other fees and charges	278,053
Tap fees	29,910
Impact fees	104,786
Total operating revenues	10,309,340

OPERATING EXPENSES

Salaries and fringe benefits	2,031,563
Operations and maintenance	3,911,706
Administrative	603,551
Depreciation	1,505,834
Total operating expenses	8,052,654
Operating income (loss)	2,256,686

NON-OPERATING REVENUE (EXPENSES)

Capital grants	1,000,000
Gain from the sale of capital assets	21,121
Interest income	93,765
Insurance claims	3,596
Interest expense	(723,750)
Net non-operating revenues (expenses)	394,732

Change in net position	2,651,418
Net position, beginning of year, as restated	34,958,290
Net position, end of year	\$ 37,609,708

The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net position	\$ 2,651,418
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	1,505,834
Decrease (increase) in:	
Accounts receivable	(17,609)
Escrow funds	865,827
Prepays and other assets	123,286
Increase (decrease) in:	
Accounts payable	178,015
Accrued liabilities	316,513
Customer deposits	37,623
GASB 68 - state retirement	29,284
GASB 75 - other post-employment benefits	(60,691)
Net cash provided by operating activities	5,629,500

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Net proceeds from debt	260,965
Net payments on debt	(1,074,848)
Due to / from transfers	(2,856,544)
Purchases of capital assets	(1,516,878)
Net cash used in financing activities	(5,187,305)
Net increase in cash	442,195

CASH

Beginning of year	10,872,529
End of year	\$ 11,314,724

SUPPLEMENTAL INFORMATION

Interest paid	\$ 723,750
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The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The James Island Public Service District (the “District”) was formed under Act Number 498 of the 1961 General Assembly of the State of South Carolina. The District is governed by an elected seven-member Commission and operates under a Commission/Manager form of government. The District provides the following services as authorized by its charter: fire protection, solid waste and wastewater collection.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the District’s governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. All the District’s governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. Separate financial statements are provided for government-wide and business-type activities.

Net position is reported as restricted when constraints are placed on net position use by external creditors (such as through debt covenants), grantors, contributors or laws or regulations of the other governments or when imposed by law through enabling legislation. Restricted net position is used prior to unrestricted net position when permissible.

The District uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the District generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The District recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

The statement of activities presents a comparison between both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, function and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges for services paid by the recipients of the services offered by the program.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its governmental funds and proprietary fund. The District presents separate statements for each fund category- governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The District's funds are classified into two categories – governmental and proprietary.

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to accumulate debt revenues collected by the County Treasurer of Charleston County and to remit the principal and interest due on general obligation bonds. These debt issues were sold to finance construction of various projects and to pay for capital equipment such as fire and solid waste trucks.

Capital Projects Fund – The Capital Projects Fund is used to accumulate financial resources utilized in acquiring or constructing capital facilities for the District. Expenses related to the capital facilities are also accumulated in this fund.

Firefighter's One Percent Fund

The Firefighter's One Percent Fund is used to account for the District's Firemen's Insurance and Inspection Fund, commonly referred to as 1% money, allocation, and expenditures. These resources are to be used for the betterment and maintenance of skilled and efficient fire departments. This is an unbudgeted fund.

Proprietary Fund

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Enterprise funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The District generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the District classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The District reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

The District uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual—that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The District has elected to treat the General Fund as major, which is presented in a separate column. Debt Service and Capital Project Funds are considered nonmajor and will be presented in a combined column called Nonmajor Funds.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District legally adopts a budget for the General Fund and the Proprietary Fund (Wastewater). The following procedures are followed in establishing the budgetary data reflected in the financial statements: (a) Prior to June 30th, of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The general fund budget includes proposed expenditures based on the modified accrual basis of accounting and the means of financing them, and (b) the Commission adopts the proposed budget.

Restricted Cash and Cash Equivalents and Funds Held in Escrow

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the wastewater proprietary fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The revenue bond agreements in the proprietary fund require the establishment of the following funds: debt service, debt service reserve, depreciation and contingency. The District is required to fund these accounts out of revenues and impact fees generated by the wastewater system. Additionally, the District’s proprietary and governmental activities have funds held in escrow. These funds are to be used for specific capital outlay purchases as described in the debt agreements associated and can be drawn down as these expenditures occur and are approved by financial institutions through which the associated debt is funded. These funds cannot be used for any other purpose. Total cash and cash equivalents in debt service, debt service reserves, depreciation, contingency and funds held in escrow funds was \$536,761 at June 30, 2023.

Restricted cash and cash equivalents and funds held in escrow consisted of the following at June 30, 2023:

	Governmental Funds	Business-Type Funds
Debt service reserves	\$ 1,343,252	\$ 403,019
Capital projects	1,886,944	-
Contingency	-	787,772
Depreciation	-	341,420
Funds in escrow	318,062	218,699
One percent funds	169,660	-
SCIIP project	1,000,219	-
Total	\$ 4,718,137	\$ 1,750,910

Receivables

The accounts receivable of the proprietary (Enterprise) fund represent charges for services provided. The amount of unpaid charges is reported net of an allowance for uncollectable accounts in the amount of \$137,452. The allowance for uncollectable accounts totaled \$606,752 as of June 30, 2023.

Property taxes receivable in the general fund and debt service fund consist of uncollected property taxes from the following years, less an allowance for estimated uncollected taxes of \$388,000 and \$29,245 for the General Fund and Debt Service Fund, respectively at June 30, 2023.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
2023 and prior years	\$ 7,212,772	\$ 341,485
Less: allowance for uncollectible taxes	(388,000)	(29,245)
Net property taxes receivable	<u>\$ 6,824,772</u>	<u>\$ 312,240</u>

Property Taxes

Property Taxes attach as an enforceable lien on property as of January 1 of each year. Ad valorem taxes are levied during September by Charleston County which is responsible for the collection of the taxes and may be paid without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – 3%; February 1 – an additional 7%; March 16 -an additional 5%. On March 16, the intermediary government turns unpaid taxes over to its delinquent tax office and the properties are subject to sale. Personal property taxes on vehicles are levied on a monthly basis and are based on the assessed values on January 1 of each year.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. At June 30, 2023, the amount due to the general fund from the wastewater fund totaled \$337,935.

Inventory and Prepaid Items

The general fund inventory is valued at cost using the first in first out method. The prepaid items represent an expense that is applicable to a future period. The cost of the fuel inventory is recorded as an expenditure at the time it is used. These prepayments are equally offset by fund balance reserves which indicate that this portion of the fund balance does not constitute available spendable resources.

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized in the government- wide financial statements. The valuation basis for general capital assets are historical costs, or if historical cost is not available, estimated historical cost based on replacement cost. The District capitalizes only those individual capital assets exceeding \$5,000 in cost and which have a useful life exceeding one year.

Donated capital assets, if any, are capitalized and accounted for as capital contributions at estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation of all capitalized assets is charges as an expense against operations. Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

Buildings	50 years
Wastewater system (constructed and purchased)	20 - 60 years
Office Furniture and equipment	5 - 10 years

Unpaid Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Annual leave exceeding the maximum accrual and not used will be forfeited.

The portion of this liability which is not expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with interpretation No. 6 of the Governmental Accounting Standards Board – Recognition of Management of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The amount applicable to the proprietary fund is charged to expense and as a corresponding liability. Sick leave is not accrued since the benefits are not vested and are not payable upon termination.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently reports deferred outflows of resources related to the pension plan in the amount of \$1,961,585 and \$2,364,570 at June 30, 2023, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflow of resources related to the pension and plan in the amount of \$370,636 and \$2,265,733 as of June 30, 2023, respectively.

In the Governmental Fund financial statements, the District accounts for delinquent taxes receivable collected more than 60 days following the end of its fiscal year as deferred inflows of resources. The District currently reports deferred inflow of resources related to unavailable property tax revenues, net, in the amount of \$7,638,786 and \$356,063 in general fund and debt service fund as of June 30, 2023, respectively.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net position is classified and presented in one or more of the following components in the government-wide financial statements:

Net Position/Fund Balances – Net position is classified and presented in three components in the government-wide financial statements:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets.

Restricted net position – Consists of amounts restricted by external creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net position that do not meet the definition of "Restricted," or "Net invested in capital assets."

Fund balances are classified and presented in one or more of the following components in the fund basis financial statements:

Non-spendable – Non-spendable form or legally or contractually required to be maintained intact.

Restricted – Use is restricted by external creditors or imposed by law or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by action of the District's Commissioners.

Assigned – Represents resources assigned by the District but not as restrictive as Committed.

Unassigned – Represents the portion of the fund balance that does not meet any of the component definitions listed above.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE – 2 – LEGAL COMPLIANCE – BUDGETS

The District is required by law to adopt an annual budget. The District legally adopts a budget for the General Fund and the Proprietary Fund. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- (a) Prior to June 30th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year being July 1st.
- (b) The General Fund budget includes proposed expenditures based on the modified accrual basis of accounting and the means of financing them.
- (c) The District's Commission adopts the proposed budget.

Expenditures approved by the District's Commission shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the District's Commission.

Actual revenue was below budgeted revenue by \$25,397. Budgeted expenditures were less than actual expenditures by \$1,083,852.

NOTE 3 – DEPOSITS

Custodial Credit Risk

Custodial Credit Risk for deposits exists when, in the event of the failure of depository financial institution, a government may be unable to recover deposits, or recover collateral securities that is in the possession of the outside party. The District follows state law which requires depository financial statements to provide FDIC insurance or pledge collateral obligations sufficient to cover its deposits and investments as described in the following paragraph.

All of the District's deposits are made in Commission designated official depositories and are secured as required by state laws. State of South Carolina statues authorize the District to invest in the following: 1) obligations of the State of South Carolina or any of its political subdivisions; 2) obligations of the United States and agencies thereof; 3) bank or savings and loan deposits and certificates of deposit to the extent insured by the Federal Deposit Insurance Corporation (FDIC); 4) Repurchase agreements collateralized by securities of the type described in 1) and 2) preceding; and 5) no-load open and closed end portfolios of certain investment companies or trusts which hold issues of the U.S. government.

At June 30, 2023, the carrying amount of the District's unrestricted and restricted cash and cash equivalents was \$28,245,753, and the bank balance was \$27,738,783 of which all is covered either by FDIC or is properly collateralized in accordance with State law.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023, consist of the following:

	Governmental Activities	Business-Type Activities	Total
Gross receivables			
Intergovernmental revenue	\$ 594,123	\$ -	\$ 594,123
Utility service billings	-	744,204	744,204
Total receivables	594,123	744,204	1,338,327
Less: allowance for uncollectible	-	(606,752)	(606,752)
Net receivables	<u>\$ 594,123</u>	<u>\$ 137,452</u>	<u>\$ 731,575</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental activities:

	Balance at June 30, 2022	Additions	Transfers	Deletions	Balance at June 30, 2023
Non-depreciable assets:					
Land	\$ 1,600,664	\$ -	\$ -	\$ -	\$ 1,600,664
Construction in Progress	-	85,622	-	-	85,622
Total non-depreciable assets	1,600,664	85,622	-	-	1,686,286
Depreciable:					
Buildings	7,850,974	7,761	-	(2,558)	7,856,177
Fencing paving & landscaping	32,488	-	-	(2,480)	30,008
Vehicles	5,832,242	50,393	-	(71,166)	5,811,469
Machinery & fire equipment	1,566,313	182,093	-	-	1,748,406
Furniture and office equipment	248,866	-	-	-	248,866
Communication system	760,114	6,317	-	-	766,431
Total depreciable capital assets	16,290,997	246,564	-	(76,204)	16,461,357
Less accumulated depreciation:	(5,447,163)	(831,469)	-	58,969	(6,219,663)
Total depreciable capital assets, net	10,843,834	(584,905)	-	(17,235)	10,241,694
Total capital assets, net	<u>\$ 12,444,498</u>	<u>\$ (499,283)</u>	<u>\$ -</u>	<u>\$ (17,235)</u>	<u>\$ 11,927,980</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 5 – CAPITAL ASSETS, Continued

Depreciation expense for Governmental Activities was charged to functions/programs as follows:

General government	\$	116,406
Public safety – fire		515,511
Health – solid waste		199,552
Total depreciation – governmental activities	\$	831,469

Business Activities:

	Balance at June 30, 2022	Additions	Transfers	Deletions	Balance at June 30, 2023
Non-depreciable assets:					
Land	\$ 814,365	\$ -	\$ -	\$ -	\$ 814,365
Construction in Progress	276,247	1,332,057	(131,730)	-	1,476,574
Total non-depreciable assets	1,090,612	1,332,057	(131,730)	-	2,290,939
Depreciable:					
Buildings	571,392	-	-	-	571,392
Sewer system	58,743,423	-	60,968	(34,215)	58,770,176
Contributed systems	11,191,477	-	-	-	11,191,477
Purchased systems	179,566	-	-	-	179,566
Equipment	175,853	-	-	-	175,853
Vehicles	1,202,243	178,504	-	(27,647)	1,353,100
Communication system	793,036	6,317	70,762	-	870,115
Total depreciable capital assets	72,856,990	184,821	131,730	(61,862)	73,111,679
Less accumulated depreciation	(24,574,356)	(1,505,834)	-	61,862	(26,018,328)
Total depreciable capital assets, net	48,282,634	(1,321,013)	131,730	-	47,093,351
Total capital assets, net	\$ 49,373,246	\$ 11,044	\$ -	\$ -	\$ 49,384,290

NOTE 6 – PENSION PLANS

State Retirement Plan

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employee	9.00%	9.00%
PORS		
Employee	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employer	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer	19.44%	18.44%
Employer Incidental and Accidental Death	0.40%	0.40%

(Continued)

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

(Continued)

¹ Includes inflation at 2.25%

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2021, for SCRS are presented below.

<u>System</u>	<u>Employers’ Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 11,723,805	57.1%

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity ³	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity ^{1 4}	9.0%	8.75%	0.79%
Private Debt ²	7.0%	6.00%	0.42%
Real Assets			
Real Estate ²	9.0%	4.12%	0.37%
Infrastructure ²	3.0%	5.88%	0.18%
Total Expected Real Return ⁵	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Pensions

At June 30, 2023, the District reported a liability of \$11,723,805 for its proportionate share of the net pension liability for SCRS. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2023, the District recognized pension expense for the SCRS plans of \$949,253. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 477,868	\$ -
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	408,220	51,092
Net difference between projected and actual earnings on pension plan investments	20,675	319,544
District's contributions subsequent to the measurement date	1,054,822	-
Total SCRS	\$ 1,961,585	\$ 370,636

(Continued)

³ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

⁴ Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁵ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

The \$1,054,822 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the SCRS plans, during the year ended June 30, 2023 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS:

Year Ended June 30,	SCRS
2024	\$ 151,266
2025	241,538
2026	(165,018)
2027	308,341
	\$ 536,127

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
System District’s proportionate share of the net pension liability of the SCRS	\$ 15,031,362	\$ 11,723,803	\$ 8,973,997

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 – PENSION PLANS, Continued

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' Comprehensive Annual Financial Report.

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

The District provided post-employment health, life and dental care benefits for certain retirees and their dependents. Substantially all employees who retire under the state retirement plan were eligible to continue their coverage with the District paying 100% of health insurance premiums if the retiree is 65 years of age and a portion if under 65 years of age. In fiscal year 2022, the District dissolved the OPEB plan due to continued rising costs and the current negative position of the plan. At the time the District dissolved the OPEB, the remaining plan assets were approximately \$500,000 however all benefits will stop after all plan assets have been expended.

The account balance at June 30, 2023 was \$114,048 which is expected to be fully disbursed by January 2024. Retirees will have access to health insurance however it will be fully covered by the retiree.

NOTE 8 – LONG-TERM DEBT

The District reports long-term debt of governmental funds at face value in the government-wide statements. Long-term debt and other obligations financed by proprietary funds are reported as proprietary fund liabilities. For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond or capital lease proceeds are reported as an "other financing source" net of the applicable premiums or discount. Issuance costs, if any, paid or withheld from the proceeds, are reported as debt service expenditures. For business-type funds, bond premiums or discounts and any deferred refunding costs (if applicable) are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium, discount or deferred refunding costs.

Governmental Activities:

For governmental activities, compensated absences are generally liquidated by the general fund and included as a long-term liability in the government-wide financial statements. The District issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District. All of the general obligation bonds are held by the Farmers Home Administration.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 8 – LONG-TERM DEBT, Continued

Business-Type Activities:

For business-type activities, compensated absences are liquidated by the proprietary fund and included as a long-term liability the enterprise fund and business-type activities.

In 1980, the District began issuing revenue bonds payable from the revenues generated by the wastewater proprietary fund which pays for the construction and expansion of the wastewater transportation system.

Changes in long-term liabilities for Governmental activities for the year ended June 30, 2023, were as follows:

<u>Governmental activities</u>	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Within One Year
General obligation bonds	\$ 7,595,972	\$ -	\$ (355,134)	\$ 7,240,838	\$ 796,282
Capital leases	2,658,206	3,001,103	(642,619)	5,016,690	747,309
Net other post-retirement benefits	296,316	-	(296,316)	-	-
Net pension liability	7,560,169	1,345,185	-	8,905,354	-
Compensated absences	623,511	161,656	-	785,167	392,584
	<u>\$ 18,734,174</u>	<u>\$ 4,575,446</u>	<u>\$ (997,753)</u>	<u>\$ 21,948,049</u>	<u>\$ 1,936,175</u>
<u>Business-type activities</u>	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Within One Year
Revenue bonds	\$ 506,358	\$ -	\$ (33,347)	\$ 473,011	\$ 35,210
State revolving fund loan	19,466,225	-	(969,303)	18,496,922	1,097,392
Capital leases	340,474	260,965	(72,198)	529,241	81,717
Net other post-retirement benefits	60,691	-	(60,691)	-	-
Net pension liability	2,392,714	425,737	-	2,818,451	-
Compensated absences	113,994	-	(26,943)	87,051	43,526
	<u>\$ 22,880,456</u>	<u>\$ 700,528</u>	<u>\$ (1,101,791)</u>	<u>\$ 22,404,676</u>	<u>\$ 1,257,845</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 8 – LONG-TERM DEBT, Continued

The principal and interest requirements to retire the District’s long-term obligations, exclusive of compensated absences, capital leases, net pension liability and the unfunded OPEB liability, are as follows:

Governmental Activities	Principal	Interest	Total
2024	\$ 796,282	\$ 183,149	\$ 979,431
2025	396,903	153,278	550,181
2026	407,557	136,124	543,681
2027	158,247	118,934	277,181
2028	174,674	110,830	285,504
2029-2033	932,288	470,696	1,402,984
2034-2038	1,039,887	375,693	1,415,580
2039-2043	1,230,000	272,955	1,502,955
2044-2048	1,295,000	142,350	1,437,350
2049-2052	810,000	24,800	834,800
	<u>\$ 7,240,838</u>	<u>\$ 1,988,809</u>	<u>\$ 9,229,647</u>

Business-Type Activities	Principal	Interest	Total
2024	\$ 1,097,392	\$ 395,431	\$ 1,492,823
2025	1,085,321	372,292	1,457,613
2026	1,109,011	348,601	1,457,613
2027	1,133,268	324,346	1,457,613
2028	1,158,109	325,995	1,484,104
2029-2033	5,764,833	1,282,091	7,046,924
2034-2038	4,141,036	537,061	4,678,097
2039-2043	2,261,500	267,032	2,528,532
2044-2048	944,769	121,807	1,066,576
2049-2052	274,694	7,155	281,849
	<u>\$ 18,969,933</u>	<u>\$ 3,981,811</u>	<u>\$22,951,744</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 8 – LONG-TERM DEBT, Continued

The revenue bonds outstanding for the business-type activity at June 30, 2023, are as follows:

Title of Issues	Date	Date	Rate	Original	Outstanding
Sol Legare Project	3/31/1992	3/28/2032	5.75%	\$ 437,000	\$ 175,377
Grimball Road Expansion	11/14/1996	11/14/2036	5.13%	538,000	300,533
Totals				<u>\$ 975,000</u>	<u>\$ 475,910</u>

The State Revolving Fund loan outstanding for the business-type activity at June 30, 2023, is as follows:

Title of Issues	IssueDate	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Pump Stations 11 & 54 Upgrade	10/31/2014	05/01/2035	2.00%	\$ 4,242,522	\$ 2,575,645
Pump Station 11 Phase 2	09/01/2016	09/01/2036	1.80%	2,527,959	1,416,773
Schooner Road Extension	02/26/2010	05/01/2030	2.25%	717,520	290,639
Harbor View Circle Force Main	07/01/2011	04/01/2031	2.25%	586,757	269,658
Pump Station 33 Rehab	07/01/2011	07/01/2031	2.25%	1,250,352	585,104
Force Main Replacement	10/01/2013	07/01/2031	2.25%	1,870,339	1,062,763
Water Pollution Control 19	06/07/2019	10/01/2049	2.37%	6,715,435	5,089,389
Pump Station 2 Upgrade	12/05/2019	07/01/2040	2.60%	1,793,128	1,440,025
Pump Station 22 and 34 Upgrades	06/01/2020	09/01/2040	2.20%	1,067,767	916,028
Pump Station 1 Downgrades	06/01/2020	01/01/2041	2.20%	994,972	903,567
SSES Rehab	12/02/2020	06/01/2041	1.80%	2,000,000	1,722,459
Pump Station 33 Upgrade	12/02/2020	06/01/2041	1.80%	1,322,658	1,164,465
Rehab Facilities Phase 4	02/15/2022	01/23/2043	1.50%	1,081,235	1,057,508
				<u>\$ 26,170,644</u>	<u>\$18,494,023</u>

The revenues of the proprietary fund are pledged as collateral on all revenue bonds. The District has complied with all material covenants and restrictions.

The governmental activities general obligation bonds outstanding at June 30, 2023, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Fire Station 3	11/14/1996	11/14/2036	5.50%	\$ 363,000	\$ 180,838
2020A GO	12/1/2020	12/1/2051	2.00%	7,060,000	7,060,000
				<u>\$ 7,423,000</u>	<u>\$ 7,240,838</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 8 – CAPITAL LEASE OBLIGATIONS

The District has various leases on equipment used in business-type activities and governmental activities which are being accounted for as capital leases. These leases financed equipment purchased during prior fiscal years. Under the terms of lease payments, including interest, by year ended June 30, 2023, are as follows:

Governmental Activities	Principal	Interest	Total
2024	\$ 747,309	\$ 137,917	\$ 885,226
2025	744,426	124,062	868,488
2026	605,651	107,279	712,930
2027	617,402	90,999	708,401
2028	627,789	81,563	709,352
2029-2033	1,674,113	175,212	1,849,325
	<u>\$ 5,016,690</u>	<u>\$ 717,032</u>	<u>\$ 5,733,722</u>

Business-Type Activities	Principal	Interest	Total
2024	\$ 81,718	\$ 14,129	\$ 95,847
2025	79,943	12,520	92,463
2026	74,816	10,641	85,457
2027	76,772	8,685	85,457
2028	78,000	7,500	85,500
2029-2033	137,992	13,035	151,027
	<u>\$ 529,241</u>	<u>\$ 66,510</u>	<u>\$ 595,751</u>

Capital leases outstanding for governmental activities at June 30, 2023, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Roll carts	11/14/1996	11/14/2036	2.04%	\$ 453,282	\$ 96,164
Escrow vehicles and equipment	2/4/2018	8/4/2024	2.08%	2,124,663	461,066
2019 CL-vehicles	9/23/2019	9/23/2026	2.37%	903,000	416,747
2021 CL-vehicles	5/17/2021	5/17/2028	2.10%	783,847	571,402
2021 CL-radio equipment	5/17/2021	5/17/2028	1.66%	647,744	470,208
2023 CL-equipment	5/11/2023	5/1/2033	Varies	3,262,068	3,001,103
				<u>\$ 8,174,604</u>	<u>\$ 5,016,690</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 8 – CAPITAL LEASE OBLIGATIONS, Continued

Capital leases outstanding for business-type activities at June 30, 2023, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Vehicles and equipment	2/4/2018	8/4/2024	2.04%	175,337	\$ 45,309
2019 CL-vehicles	9/23/2019	9/23/2026	2.08%	158,000	93,447
2021 CL-vehicles and equipt	5/17/2021	5/17/2028	1.66%	177,675	129,520
2023 CL-equipment	5/11/2023	5/1/2033	Varies	260,965	260,965
				<u>\$ 771,977</u>	<u>\$ 529,241</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The District is contingently liable for lawsuits and claims that may arise in the course of its operations. Management believes the ultimate resolution of any such matters will not materially affect the District's financial position.

The District serves a geographic area which is subject to annexation by a local municipality. In the event an area is annexed by the municipality, there could be a significant impact on the operations of the District. South Carolina law requires a municipality which annexes properties currently served by another political subdivision to assume responsibility for payment of the pro-rata bonded debt outstanding on the area(s) annexed.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, loss for damage to assets, errors or omissions, and natural disasters. The District is a member of the State of South Carolina Insurance Reserve Fund, which is a public entity risk pool currently operating as an insurance program and risk management facility for local governments. The District pays annual insurance premiums to the State Insurance Reserve Fund for its general insurance coverages. The State Insurance Reserve Fund is self-sustaining through member insurance premiums and reinsures through commercial companies for certain claims.

In addition, the District insures for the risk of job-related injury or illness to its employees through South Carolina State Accident Fund, a public entity risk pool operating for the benefit of local governments. The District pays an annual premium to the Worker's Compensation Trust for its insurance coverage.

The District is also subject to risks of loss from providing health, life, accident, dental and other medical benefits for employees, retirees and their dependents. The District utilizes a state health insurance plan administered by the South Carolina Budget and Control Board. The state reinsures through commercial companies for these risks.

For all the above programs, the District has not significantly reduced insurance coverages from the previous year and settled claims in excess of insurance coverage for the last three years have been immaterial. For each of the insurance programs, the District has effectively transferred all risk with no liability for unfunded claims.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The District has recorded a prior period adjustment to the financial statements to adjust the net position to properly reflect capital assets and debt balances. The adjustment is summarized as follows:

	Govt-Wide	Business-Type
July 1, 2022	\$ 13,688,018	\$ 35,009,624
Changes in capital assets	134,900	(51,334)
Changes in long-term debt	84,806	-
July 1, 2022 restated	\$ 13,907,724	\$ 34,958,290

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2023 through December 6, 2023 the date the financial statements were available to be issued.

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APPENDIX B

ECONOMIC CHARACTERISTICS AND DATA FOR THE DISTRICT AND COUNTY

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ECONOMIC CHARACTERISTICS AND DATA FOR THE DISTRICT AND COUNTY

Commerce and Industry

The District is entirely located within the County and has an estimated 2022 population of 18,364, which is an approximately 20% increase over its 2000 population of 15,251. Because the District is located within the County and is not coterminous with any other political subdivision, much of the information below pertains to the County as a whole.

Population

The following table displays the current and historical population information of the County for each decade since 1980 through 2020 Census.

<u>Year</u>	<u>Population</u>
2020	408,235
2010	350,209
2000	309,969
1990	295,039
1980	276,974

Source: United States Census Bureau.

Per Capita Income

The following table shows the per capita personal income in the County (residence adjusted), State and United States, for which information is available, for the years shown:

<u>Year</u>	<u>County</u>	<u>South Carolina</u>	<u>United States</u>
2022	\$ 76,546	\$ 53,618	\$ 65,470
2021	73,838	52,828	64,430
2020	68,698	48,772	59,153
2019	66,119	46,149	55,547
2018	60,884	43,804	53,309

Source: United States Department of Commerce, Bureau of Economic Analysis.

Median Household Income

The median household income in the County for each of the last five fiscal years for which information is available is shown below.

<u>Fiscal Year</u>	<u>Median Household Income</u>
2022	\$ 78,795
2021	82,100
2020	81,100
2019	77,900
2018	74,500

Source: U.S. Department of Urban Development, Economic and Market Analysis.

Median Age and Education Levels

The United States Census Bureau reports that the population of the County had a median age of 38.9 in 2022. As of 2022, the percentage of persons 25 years or older having obtained a bachelor's degree or equivalent was approximately 48.1%.

Construction

The following table displays construction activity in the County, measured by value of building permits issued, both for residential and commercial new construction and additions.

<u>Calendar Year</u>	<u>Number of Permits</u>	<u>Value of Permits</u>	
		<u>Residential</u>	<u>Commercial</u>
2023	682	\$381,060,259	\$ 86,847,561
2022	865	466,950,300	168,231,425
2021	554	280,474,961	18,221,530
2020	471	216,331,595	32,539,189
2019	751	201,969,751	27,851,519

Source: Building Inspections' Department of the County.

Retail Sales

The following table provides the gross retail sales for the past five fiscal years for businesses located within the County.

<u>Year</u>	<u>Total Retail Sales</u>
2023	\$ 22,252,740,829
2022	21,704,500,876
2021	19,559,795,726
2020	16,326,752,152
2019	17,011,034,769

Source: South Carolina Department of Revenue.

Capital Investment

Set forth below is a table showing the dollar value of announced industrial investment, including new and expanding industries, and the number of announced jobs to be created in connection therewith in the County in the five calendar years and current calendar year shown.

<u>Year</u>	<u>Project Count</u>	<u>Announced Investment</u>	<u>Announced Jobs</u>
2024*	9	\$ 25,362,300	451
2023	14	94,386,426	932
2022	11	150,355,000	790
2021	19	98,662,000	3,053
2020	12	186,350,000	1,108
2019	11	65,650,000	1,017

* As of October 16, 2024

Source: South Carolina Department of Commerce.

Principal Employers

The County's ten largest industries by total employment, their business sector, and the number of people they employ are listed by company below.

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. Joint Base Charleston	Military	24,900
2. The Medical University of South Carolina	Healthcare	17,000
3. Boeing Charleston	Industrial	6,500
4. Roper St. Francis Healthcare	Healthcare	6,100
5. Charleston County School District	Education	6,000
6. Wal-Mart	Grocery/Distribution	3,900
7. R.H. Johnson VA Medical Center	Healthcare	3,250
8. Trident Health Systems	Healthcare	3,100
9. County of Charleston	Government	2,800
10. U.S. Postal Service	Distribution	2,500

Source: ACFR of County for fiscal year ended June 30, 2023.

Labor Force and Employment

The size and utilization of the labor force within the County is described in the table below for the years shown.

	<u>Labor Force Estimates</u>					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Labor Force	204,937	205,633	210,879	211,939	209,826	215,121
Employment	197,802	199,983	206,178	198,552	202,346	209,190
Unemployment	7,135	5,650	4,701	13,387	7,480	5,931
% Workforce	3.5%	2.7%	2.2%	6.3%	3.6%	2.8%
Unemployed						

Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.

Labor Force

The composition of the civilian, nonagricultural labor force in the County, based on place-of-work basis, for the last five years for which information is available is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Manufacturing	16,200	16,809	17,132	17,040	17,509
Non-Manufacturing					
Construction and Mining	15,934	16,889	18,494	18,962	20,140
Transportation & Public Utilities	12,280	12,779	13,513	14,678	15,880
Wholesale & Retail Trade	39,274	40,008	40,884	41,291	41,836
Information	4,779	4,873	5,117	5,513	5,497
Finance, Insurance & Real Estate	31,378	33,057	34,328	35,023	36,532
Services (including Agricultural Serv.)	139,582	145,062	151,363	156,424	161,700
Government	<u>57,618</u>	<u>58,484</u>	<u>58,310</u>	<u>58,450</u>	<u>59,264</u>
TOTAL	317,045	327,961	339,141	347,381	358,358

Notes: Totals may not foot due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Unemployment

The table below provides the last five years of unemployment numbers for the County, the State, and the United States.

<u>Year</u>	<u>Charleston County</u>	<u>South Carolina</u>	<u>United States</u>
2023	2.4%	3.0%	3.6%
2022	2.7	3.2	3.6
2021	3.5	3.9	5.3
2020	6.1	6.0	8.1
2019	2.2	2.8	3.7

Source: U.S. Bureau of Labor Statistics.

The table below shows the unemployment rate of the County for the most recent 12 months (currently available).

<u>Year</u>	<u>Month</u>	<u>Unemployment Rate</u>
2023	October	2.5%
	November	2.3
	December	2.4
2024	January	2.7
	February	3.0
	March	2.7
	April	2.3
	May	2.9
	June	3.7
	July	4.0
	August	4.4
	September	3.7 ^P

^P Preliminary

Source: U.S. Bureau of Labor Statistics.

Facilities Serving the District and the County

The following information has been obtained from sources the District believes to be reliable, including publicly available documents of the County.

The County is served by a diverse array of public and private institutions and infrastructure, including the Port of Charleston, The Medical University of South Carolina (“**MUSC**”) and other medical facilities, the tourism and hospitality industry, the military, a number of higher education facilities, and numerous manufacturing facilities within the area.

Recreation and Tourism. Located adjacent to the Atlantic Ocean and home to well-developed tourism infrastructure. After shrinking in 2020, the County’s tourism industry recovered and continued to break records in 2022. In 2022, the County attracted 7.68 million visitors and tourism was responsible for 23.8% of regional sales. Various festivals and events within the County brought a collective 2.2 million attendees in 2022. These include cultural events such as the annual Southeastern Wildlife Exposition, Spoleto and Piccolo Spoleto festivals as well as sports events, including the Family Circle Cup tennis tournament and the annual Cooper River Bridge Run.

Tourists arrive in Charleston from land, sea, and air. The airport offers daily non-stop service to 67 cities in the United States and Great Britain. Carriers include, Alaska, Allegiant, American Airlines, Avelo, Breeze, Delta, Frontier, JetBlue, Silver Airways, Southwest, Spirit, Sun Country, and United Express. After voluntarily pausing cruise operations in March of 2020, Carnival Cruise Lines resumed cruise operations in January 2022.

Medical Industry. The region’s medical industry is anchored by the state’s teaching hospital, MUSC, and accounts for over 7.6% of the area’s total employment. MUSC managed over \$300 million in biomedical research funding in Fiscal Year 2019. The majority of the employment currently exists in Charleston’s seven area hospitals - five private regional hospitals, MUSC, and the Ralph H. Johnson Veterans’ Affairs Medical Center.

Military. A 2022 statewide study by the University of South Carolina and the South Carolina Military Base Task Force estimated the annual economic impact of the military in the Charleston region to be \$12.7 billion, with more than 78,414 jobs (directly or indirectly) supported. Joint Base Charleston includes facilities and command for the Naval Information Warfare Centers (formerly called the Space and Naval Warfare Systems Center or SPAWAR), one of the United States Navy’s only two cyber mission engineering centers, the Nuclear Power Training Command, the Nuclear Power Training Unit, and the United States Army’s Combat Equipment Group Afloat and Surface Deployment Distribution Commands. Joint Base Charleston also includes various United States Air Force air base and air lift wings.

Higher Education. There are 26 colleges and universities offering a range of two-year, bachelor’s, master’s and doctoral degree programs in the County. The five largest are: Trident Technical College, The College of Charleston, The Citadel, Charleston Southern University, and MUSC. In 2022 44,240 students pursued degrees in various Charleston regional colleges, universities, and technical schools.

Manufacturing. The manufacturing sector includes a diverse set of industries including transportation equipment manufacturing, machinery manufacturing, paper manufacturing, and other miscellaneous manufacturing industries. The aerospace and automotive sectors are cornerstones of the region’s advanced manufacturing cluster. The Boeing Company and Mercedes-Benz Vans employ a combined 8,100 people in the region. Local operations for the two OEMs (original equipment manufacturers) support multiple tier one and tier two aerospace and automotive suppliers. At 16,231 jobs, Charleston County has a high concentration of jobs spread across the manufacturing industry. The largest job counts within manufacturing are found in the

aircraft, automobile and light duty motor vehicle, and motor vehicle transmission and power train parts sectors. Job losses in the aerospace and motor vehicle sectors have been largely made up by job additions in the transmission and power train parts sector.

Since its landing in 2011, the Boeing Company has opened six facilities and business units in Charleston County. The Boeing South Carolina site builds all three versions of the 787 aircraft. In November 2020, Boeing announced its decision to consolidate the total production of its 787 programs into its North Charleston site. The company implemented this change in March 2021. Boeing currently employs 6,500 people in the region, adding jobs in support of increased aircraft demand driven by an uptick in air travel.

The Mercedes-Benz Vans' 1.1 million square foot Sprinter Van manufacturing facility in Palmetto Commerce Park was completed in 2018. Currently, 1,600 people are employed at the expanded facility. In April 2021, Mercedes-Benz Vans announced that it would build its next-generation e-Sprinter van in three locations worldwide. The North Charleston plant is among the chosen locations. As of May 2023, Mercedes Benz has invested \$150 million in the plant to begin production of the e-Sprinter 2.0 in 2024. This reflects a trend of the electric vehicle industry clustering across the broader Southeastern region. Vehicle and battery manufacturing facilities are taking root across not only South Carolina but the region at large.

Port of Charleston. The South Carolina State Ports Authority (the “**Authority**”) operates the Port of Charleston, which is the sixth largest port in dollar value of goods handled along the East and Gulf Coasts and eighth among all seaport districts in the United States. The Authority operates five facilities located in the County and employs approximately 600 people. The Authority’s economic impact on the Lowcountry region is estimated at \$10.7 billion and supports over 32,000 jobs and \$2.2 billion in labor across the eight counties. Following recent investments, the Charleston Harbor is the deepest on the US East Coast at 52 feet, the Navy Base Intermodal facility is under construction being bolstered by a \$400 million investment from the State of South Carolina, and the Leatherman terminal is well positioned to handle its full capacity once an ongoing labor dispute has been resolved.

Public Schools. There are 82 schools located in the County’s single school district. Approximately 47,226 students were enrolled in the public school system in the County for the 2023-24 school year based on a 45-day enrollment. All public schools are fully accredited by the South Carolina Department of Education and Southern Association of Colleges and Schools. Full accreditation assures that the district has met the minimum standards for class size, qualifications of teachers, school facilities, instructional materials and curriculum.

Interstate Access. The County is served by Interstate 26, which connects Charleston with Asheville, North Carolina, and crosses Interstate 95, providing direct access to the Eastern Coast of the United States. The County and the South Carolina State Infrastructure Bank have been in negotiations regarding the extension of Interstate I-526 across John’s Island for several years. The South Carolina Department of Transportation and Charleston County released a new plan for completing the I-526 extension in the summer of 2021 and in 2023 the State authorized the provision of \$75 million for preliminary costs.

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APPENDIX C

SUMMARY OF SEWER SYSTEM OPERATING AND FINANCIAL DATA

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JAMES ISLAND PUBLIC SERVICE DISTRICT

SUMMARY OF SEWER SYSTEM OPERATING AND FINANCIAL DATA

The Sewer System and Service Area

James Island Public Service District, South Carolina (the “*District*”) owns and operates a system for the collection and transportation of wastewater within the District (the “*Sewer System*”). All wastewater is collected and transported by means of pump stations and force mains to the Commissioners of Public Works of the City of Charleston’s (“*CWS*”) Plum Island Treatment Plant (“*Plum Island*”). The District’s current metered flow to Plum Island has averaged 93,991,000 gallons per month from July 2023 through June 2024. The Sewer System consists of approximately 130 miles of sewer collection lines, 33 miles of force mains, and 67 pump stations.

The District provides retail sewer service within the entirety of its service area, which comprises the entirety of the current boundaries of the District. See “**THE DISTRICT—District and Other Jurisdictional Boundaries.**” The majority of the District’s service area consists of suburban neighborhoods, which include both residential and commercial areas. As discussed below, the District also provides retail sewer service in various capacities to customers who reside outside of the District’s present boundaries in the City of Charleston (“*Charleston*”) and the City of Folly Beach (“*Folly Beach*”).

Governance and Administration

The Sewer System is governed by the James Island Public Service District Commission (the “*Commission*”), which establishes the operating policies of the Sewer System and capital improvement programs. The Commission is solely responsible for the establishment of the rates and charges of the Sewer System. See “**THE DISTRICT—Governance—Membership of the Commission.**”

The Sewer System is operated under the management of the District Manager. See “**THE DISTRICT—Governance—District Manager.**” The Director of Wastewater Services for the District is Kendra Smith. Ms. Smith has served in this role for 1 year, and has 13 years of experience in the utility industry.

Sewer Customers

The District has several different categories of retail customers: (1) those customers within the boundaries of the District who are billed directly for sewer service based upon water meter data purchased from CWS; (2) those customers of the District who have been annexed into Charleston, for whom the District bills the CWS based on the District’s standard retail charges and for whom CWS bills the customer based upon CWS’s current rates; (3) those who do not purchase water from CWS or any other provider, and whose accounts are unmetered as a consequence; (4) CWS customers whose flows pass, at least in part, through the District’s sewer lines and through the master meter at Plum Island, for whom the District bills CWS to recover the District’s transportation-related cost of service; (5) those customers of the District who are billed at standard retail rates, but whose flows do not pass through the master meter at Plum Island, for whom CWS bills the District to recover CWS’s cost of service for treatment and transportation; and (6) those customers of the District who have been annexed into Folly Beach, for whom the District bills on behalf of Folly Beach based upon Folly Beach’s current rates. The District also provides wholesale transportation service to Folly Beach, transporting the wastewater generated by Folly Beach’s sewer system through the District’s lines to Plum Island.

The District provides sewer service directly to approximately 8,863 customers within the District, Charleston, and Folly Beach. Approximately 98% of the District’s customers are residential. CWS is the District’s largest customers, representing 19% of the revenues of the Sewer System for the fiscal year ending June 30, 2024. The table below shows the 10 largest customers of the District based upon the annual billings for all customers of the District for the fiscal year ending June 30, 2024.

<u>Customer</u>	<u>Classification</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
CWS (Transportation Services)	Government (By Agreement)	\$1,796,186	18%
City of Folly Beach (Wholesale / Trans)	Government (By Agreement)	408,642	4
1815 Central Park Road EME Apts	Multi-Family	269,117	3
SC Dept. of Natural Resources	Government (Retail)	189,548	2
James Island Charter High School	Educational	30,867	<1
Brigadier HOA Building 4	Multi-Family	29,953	<1
Brigadier HOA Building 3	Multi-Family	28,885	<1
1501 Secessionville Road	Assisted Living	22,235	<1
Charleston County School District	Educational	21,380	<1
Walgreens	Business	20,077	<1

The table below shows the number of customers that the District provided direct retail service, the number of new customers, and the percentage of increase, for the fiscal years shown. These figures include those customers within Charleston and Folly Beach for whom the District directly provides sewer service but does not reflect the number of customers of Charleston and Folly Beach for whom the District provides transportation services.

<u>Fiscal Year</u>	<u>Customers</u>	<u>New Customers</u>	<u>Percentage Increase</u>
2019	8,863	44	0.50
2020	8,675	24	0.28
2021	8,740	65	0.75
2022	8,819	79	0.90
2023	8,863	44	0.50

Rates and Charges

The District provides transportation services to CWS on the basis of Equivalent Residential Units served, which are based upon 6,000 gallons of metered potable water (an “*ERU*”). The District’s rate to provide transportation services to CWS is \$30.52 per ERU. The particulars of these arrangements between the District and CWS are contained in a series of agreements entered into in 1978, 1984, 1995, and 1998.

The District provides wastewater transportation services to Folly Beach for a monthly base charge of \$7,410.00, together with a volumetric rate of \$5.92 per centum cubic feet (“*CCF*”) of wastewater transported by the District. This base charge may be adjusted from time to time based on the District’s operation and maintenance budget and a utility rate basis formula. Additionally, the District charges Folly Beach’s 141 annexation customers a base charge of \$24.70 and a volumetric charge of \$7.44 per CCF. Non-metered Folly Beach annexation customers are currently charged a flat rate of \$76.78. The particulars of the District’s arrangements with Folly Beach regarding retail and transportation services are contained in a new Wastewater Transportation and Retail Customer Agreement, which became effective on October 1, 2024. The agreement has a five-year term through June 30, 2029.

The Sewer System’s current rates and charges became effective July 1, 2024. The Sewer System’s rates and charges for residential and non-residential customers are as follows:

Base Charge	\$24.70
Volumetric Charge Per CCF	\$7.44
Non-Metered Customers (Flat Monthly Rate)	\$76.78

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Summary of Proprietary Fund Operations

The following table sets forth a summary of the District's proprietary fund operations as of June 30 of each of the fiscal years shown.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Revenues</u>					
District Customers	\$4,016,446	\$4,486,610	\$4,592,259	\$5,249,089	\$5,896,990
Full Charge	987,906	1,081,061	1,231,498	1,366,979	1,649,115
Transportation Customers	1,326,866	1,881,139	1,695,354	1,775,419	1,791,860
Wholesale	414,351	425,394	464,567	482,353	558,626
Tap Fees	39,132	20,085	70,643	33,057	29,910
Impact Fees	629,647	35,665	81,028	114,923	104,786
Other Income	<u>212,723</u>	<u>276,011</u>	<u>205,932</u>	<u>373,758</u>	<u>278,053</u>
Total Revenues	\$7,627,071	\$8,205,965	\$8,341,281	\$9,395,578	\$10,309,340
<u>Operating Expenditures</u>					
Salaries, Wages and Benefits	\$1,827,042	\$1,572,529	\$1,809,976	\$746,627	\$2,031,563
Operations and Maintenance	3,285,258	3,795,676	3,935,091	3,527,813	3,911,706
Administrative	426,492	615,076	451,749	774,825	603,551
Depreciation	<u>1,166,692</u>	<u>1,286,242</u>	<u>1,439,858</u>	<u>1,509,252</u>	<u>1,505,834</u>
Total Operating Expenditures	\$6,705,484	\$7,269,523	\$7,636,674	\$6,558,517	\$8,052,654
Operating Income (Loss)	\$921,587	\$936,442	\$704,607	\$2,837,061	\$2,256,686
<u>Nonoperating Revenue / Expenses</u>					
Interest Income	\$38,244	\$36,580	\$2,326	\$3,945	93,765
Gain (Loss) on Sales of Fixed Assets	-	19,013	(9,710)	44,626	21,121
Capital Contributions	164,201	-	-	-	1,000,000
Interest Expense	(209,163)	(318,725)	(351,091)	(423,170)	(723,750)
Bond Issuance Costs	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,925</u>	<u>-</u>
Total Nonoperating Revenue / Expenses	\$(6,718)	\$(263,132)	\$(358,475)	\$(363,674)	\$394,732
Change in Net Position	\$914,869	\$673,310	\$346,132	\$2,473,387	\$2,651,418
Net Position, Beginning	\$31,370,580	\$32,285,449	\$32,190,105*	\$32,536,237	\$34,958,290*
Net Position, Ending	\$32,285,449	\$32,958,759	\$32,536,237	\$35,009,624	\$37,609,708

Source: District's Audited Financial Statements for Fiscal Years 2019-2023.

* As restated.

Budgeting

The District adopts the budget for its Sewer System annually in conjunction with the adoption of the District’s general fund budget. See “**THE DISTRICT—Budgeting.**” The District’s proprietary fund budgets for the fiscal years ending June 30, 2024 and June 30, 2025 are shown below.

	<u>FY 2024</u>	<u>FY 2025</u>
<u>Revenues</u>		
District Customers	\$7,470,000	\$8,469,500
Wholesale Customers	2,320,000	2,597,000
Other Fees and Revenues	409,300	367,600
Other Inflows	306,000	-
SRF Financing for Sewer Projects	1,100,000	-
Interest and Other Income	<u>1,900,554</u>	<u>7,078,034</u>
Total Revenues and Inflows	\$13,505,854	\$18,512,134
<u>Budgeted Expenditures</u>		
Administration	\$1,375,863	\$1,326,118
Operations	5,682,348	6,650,284
Capital Outlay	3,251,000	15,270,892
Debt Service	<u>1,582,853</u>	<u>1,717,566</u>
Total Operating Expenditures	\$11,892,064	\$24,964,860
Increase (Decrease) to Fund Balance	\$1,613,790	\$(6,452,726)
Non-Fund Expenditures		
Depreciation on Prior Capital Outlays	\$1,950,000	\$1,730,000

Grant Funding and Appropriations

Recently, the District was awarded \$8,759,987 in grant funding from the South Carolina Infrastructure Improvement Program (“*SCIIP*”), as administered by the South Carolina Rural Infrastructure Authority (“*RIA*”). The *SCIIP* grant was anticipated to fund two projects, the Clarkes Point sewer extension, and the Up on the Hill and Oak Point low pressure sewer system extension (together, the “*Projects*”). Initially, the combined cost for the *Projects* was estimated at \$10,305,867, with \$8,759,987 funded by *RIA* through the *SCIIP* grant and \$1,545,800 provided by the District as required matching funds (which is payable from fund balance and direct state appropriations as described below). However, after soliciting bids for the Clarkes Point project, the lowest qualified bid received for this project was \$8,775,839.00, exceeding the total construction budget for both of the *Projects* by \$15,852. As result, the District recently submitted a letter to *RIA* to increase the amount of the *SCIIP* grant to \$10,000,000. This request is still pending.

In addition, the District and the Town of James Island (the “*Town*”) have been the beneficiaries of \$3,250,000 (\$1,750,000 to the District, and \$1,500,000 to the Town) in direct funding appropriations from the South Carolina General Assembly over the last three years for sewer-related projects and improvements. The Town is not in the sewer business and all sewer-related improvements required by the appropriations will be completed, owned and maintained by the District for the benefit of the Town.

Capital Improvements

In June 2024 the District issued its not-exceeding \$4,485,303 Sewer System Revenue Bond, Series 2024A (State Water Pollution Control Revolving Fund, Loan Number 1-269-24-543-23), dated June 28, 2024 (the “*Series 2024A Revenue Bond*”), and its not-exceeding \$1,076,000 Sewer System Revenue Bond, Series 2024B (State Water Pollution Control Revolving Fund, Loan Number X1-275-24-543-24), dated June 28, 2024 (the “*Series 2024B Revenue Bond*”).

The Series 2024A Revenue Bond was issued to fund the District’s portion of the Harbor View force main capacity upgrade project. The proceeds of the Series 2024A Revenue Bond will be used to fund the District’s portion (roughly 50% of the total cost) of constructing wastewater transmission force main facilities extending from Harbor View Road and Waites Drive to Plum Island. The Series 2024B Revenue Bond was issued to fund the fifth phase of the District’s master wastewater collection line rehabilitation program. The Series 2024A Revenue Bond and Series 2024B Revenue Bond were both issued to the South Carolina Water Quality Revolving Fund Authority.

Current and future capital projects for the Sewer System over the next five years include:

<u>Project</u>	<u>FY Begin</u>	<u>FY End</u>	<u>Estimated Cost</u>
Harbor View Force Main Capacity Upgrade*	2023	2026	\$7,976,508
Clarks Point Gravity Sewer Extension**	2023	2026	9,792,059
Phase 5 SSES Manhole Rehabilitation***	2023	2025	1,071,500
Phase 6 SSES Rehabilitation****	2024	2026	1,081,500

* Funded with proceeds of Series 2024A Revenue Bond.

** Funded with funds from SCIIP and state budget appropriations.

*** Funded with proceeds of Series 2024B Revenue Bond.

**** Anticipated for funding with the proceeds of a revenue bond issued to the State Revolving Loan Fund in Fiscal Year 2025.

Outstanding Sewer Revenue Bonds

The Commission previously adopted a general bond resolution on April 18, 1989 (the “**1989 Resolution**”), which provided for the issuance of revenue bonds thereunder secured by a lien on the revenues derived from the System. The District previously issued and there are now outstanding under the terms of the 1989 Resolution its (i) Sewer System Revenue Bond, Series 1992, and (ii) Sewer System Revenue Bond, Series 1996 (together, the “**USDA RD Loans**”).

The Commission has adopted an amended and restated master bond resolution entitled “AN AMENDED AND RESTATED MASTER BOND RESOLUTION PROVIDING FOR THE SALE AND ISSUANCE OF SEWER SYSTEM REVENUE BONDS OF JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO,” dated March 28, 2022 (the “**Bond Resolution**”). Pursuant to the Bond Resolution, the District has outstanding 15 separate series of bonds, each issued to the South Carolina Water Pollution Control Revolving Fund (the “**SRF Loans**”). The SRF Loans, which are inclusive of the Series 2024A Revenue Bond and the Series 2024B Revenue Bond, are all issued on a parity and subordinate and junior in all respects to the USDA RD Loans.

The table below sets forth the payments due on the USDA RD Loans and the SRF Loans:

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>USDA RD</u> <u>Loans</u>	<u>SRF</u> <u>Loans</u>	<u>Combined</u> <u>Debt Service</u>
2025	\$59,664	\$1,564,079	\$1,623,743
2026	59,664	1,803,511	1,863,175
2027	59,664	1,803,511	1,863,175
2028	59,664	1,803,511	1,863,175
2029	59,664	1,803,511	1,863,175
2030	59,664	1,803,511	1,863,175
2031	59,664	1,758,519	1,810,002
2032	59,664	1,663,163	1,694,867
2033	31,704	1,643,687	1,675,391
2034	31,704	1,556,395	1,588,099
2035	31,704	1,527,297	1,559,001
2036	28,521	1,285,341	1,313,862
2037	-	1,195,024	1,195,024
2038	-	1,164,918	1,164,918
2039	-	1,164,918	1,164,918
2040	-	1,135,262	1,135,262
2041	-	954,149	954,149
2042	-	664,381	664,381
2043	-	633,044	633,044
2044	-	601,705	601,705
2045	-	496,887	496,887
2046	-	260,453	260,453
2047	-	260,453	260,453
2048	-	260,453	260,453
2049	-	260,453	260,453
2050	-	131,031	131,031
Totals	\$564,804	\$29,199,166	\$29,763,970

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FORM OF OPINION OF BOND COUNSEL

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December __, 2024

James Island Public Service District
Charleston, South Carolina

[Name of Purchaser]
[City, State]

Re: \$ _____ General Obligation Bonds, Series 2024 of James Island Public Service District, South Carolina

Dear Ladies and Gentlemen:

We have acted as bond counsel to James Island Public Service District, South Carolina (the “*District*”) in connection with the issuance of \$ _____ General Obligation Bonds, Series 2024 of James Island Public Service District, South Carolina (the “*Bonds*”). In such capacity, we have examined certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Bonds are being issued by the District pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the “*State*”), including: Article X, Section 14 of the Constitution of the State of South Carolina, 1895, as amended; Title 6, Chapter 11, Article 5 of the Code of Laws of South Carolina 1976, as amended (the “*South Carolina Code*”); and Title 11, Chapter 27 of the South Carolina Code; an approving ordinance of the County Council of Charleston County, South Carolina on June 6, 2023, and a Bond Resolution duly adopted by the James Island Public Service District Commission, the governing body of the District, on October 28, 2024.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the District.
2. The full faith, credit and taxing power of the District is irrevocably pledged for the payment of the principal of and interest on the Bonds as they respectively mature and all taxable property within the District is subject to an *ad valorem* tax without limit as to rate or amount sufficient to provide for the payment of the Bonds. Provision has been made for taxes to be annually levied and collected in the same manner as other property taxes are levied and collected on all taxable property in the District sufficient to pay the principal of and interest on the Bonds as they respectively mature to the extent that funds are not provided from other sources.
3. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the “*Code*”). Such interest is, however, taken into account in determining the annual adjusted financial statement income of certain applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the application of the 15-percent alternative minimum tax imposed on the adjusted financial statement income of such corporations.

Our opinion as to the exclusion of interest on the Bonds from gross income is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order for that interest to be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Bonds.

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest on the Bonds.

We express no opinion regarding any other federal tax consequences that may arise with respect to the Bonds.

4. Under existing law, both the Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities, and school districts, except estate, transfer, and certain franchise taxes. Interest on the Bonds is currently subject to the tax imposed on banks by Section 12-11-20 of the South Carolina Code, which is enforced by the South Carolina Department of Revenue as a franchise tax.

The opinions with respect to the enforceability of the Bonds expressed herein are qualified to the extent that (i) the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles of general application from time to time affecting the rights of creditors and secured parties generally, and (ii) a particular court may refuse to grant certain equitable remedies including, without limitation, specific performance, with respect to the enforcement of any provisions of said instruments.

In our capacity as bond counsel, we express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated November __, 2024, relating to the Bonds.

We have been advised by the District on this date that there is no litigation threatened or pending which, in any manner, affects the validity of the Bond.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

Pope Flynn, LLC

FORM OF DISCLOSURE DISSEMINATION AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “*Disclosure Agreement*”), dated December ___, 2024, is executed and delivered by James Island Public Service District, South Carolina (the “*Issuer*”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “*Disclosure Dissemination Agent*” or “*DAC*”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “*Rule*”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Act*”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“*Annual Filing Date*” means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

“*Annual Financial Information*” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“*Annual Report*” means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

“*Audited Financial Statements*” means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3 of this Disclosure Agreement.

“*Bonds*” means the Bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“*Certification*” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“*Disclosure Dissemination Agent*” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“*Disclosure Representative*” means the Director of Finance, or his designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“*Failure to File Event*” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“*Financial Obligation*” as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months following the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2024. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 - 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”
 - 7. “Modifications to rights of securities holders, if material;”
 - 8. “Bond calls, if material;”
 - 9. “Defeasances;”
 - 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 - 11. “Rating changes;”
 - 12. “Tender offers;”
 - 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 - 14. “Merger, consolidation, or acquisition of the obligated person, if material;”
 - 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
 - 16. “Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;” and
 - 17. “Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
 - 1. “amendment to continuing disclosure undertaking;”
 - 2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;” and
10. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “timing of annual disclosure;”
3. “change in fiscal year/timing of annual disclosure;”
4. “change in accounting standard;”
5. “interim/additional financial information/operating data;”
6. “budget;”
7. “investment/debt/financial policy;”
8. “information provided to rating agency, credit/liquidity provider or other third party;”
9. “consultant reports;” and
10. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

(a) The financial statements of the Issuer for the preceding fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board (or if not in conformity, to be accompanied by a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information). If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement (excluding notes), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and operating data for the fiscal year then ended, to the extent such information is not included in the Issuer’s audited financial statements filed pursuant to subparagraph (a) above, included in the tables set forth under the following headings in the Official Statement in such format as the Issuer deems appropriate:

- (i) **“THE DISTRICT – Summary of General Fund Operations”;**
- (ii) **“PROPERTY ASSESSMENT AND TAXATION – Assessed Values of the District”;**

- (iii) “PROPERTY ASSESSMENT AND TAXATION – Tax Collection Record of the District”;
- (iv) “PROPERTY ASSESSMENT AND TAXATION – Millage History and Total Tax Burden”; and
- (v) “PROPERTY ASSESSMENT AND TAXATION – Ten Largest Taxpayers in the District”.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the United States Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in this Agreement related to the Bonds, the Issuer is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The Issuer will reserve the right to modify from time to time the specific type of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 4. Reporting of Notice Events.

- (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:
 - 1. Principal and interest payment delinquencies;
 - 2. Non-payment related defaults, if material;
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5. Substitution of credit or liquidity providers, or their failure to perform;
 - 6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - 7. Modifications to rights of Bond holders, if material;
 - 8. Bond calls, if material, and tender offers;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - 11. Rating changes;
 - 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Disclosure Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event

Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter of the Bonds, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank; Signatures Follow on Next Page]

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure
Dissemination Agent

By: _____
Name: _____
Title: _____

JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH
CAROLINA, as Issuer

By: _____
Name: Ashley Kellahan
Title: District Manager

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: James Island Public Service District, South Carolina
Obligated Person(s): James Island Public Service District, South Carolina
Name of Bond Issue: \$_____ General Obligation Bonds, Series 2024
Date of Issuance: December __, 2024
Date of Official Statement November __, 2024

CUSIP Numbers:

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: James Island Public Service District, South Carolina
Obligated Person(s): James Island Public Service District, South Carolina
Name of Bond Issue: \$_____ General Obligation Bonds, Series 2024
Date of Issuance: December __, 2024
Date of Disclosure Agreement: December __, 2024

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the Issuer

cc:

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. _____ "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly.

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary event disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of December __, 2024, between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Event Disclosure (Check One):

1. ____ “amendment to continuing disclosure undertaking;”
2. ____ “change in obligated person;”
3. ____ “notice to investors pursuant to bond documents;”
4. ____ “certain communications from the Internal Revenue Service;”
5. ____ “secondary market purchases;”
6. ____ “bid for auction rate or other securities;”
7. ____ “capital or other financing plan;”
8. ____ “litigation/enforcement action;”
9. ____ “change of tender agent, remarketing agent, or other on-going party;” and
10. ____ “other event-based disclosures.”

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly.

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary financial disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of December ___, 2024, between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Bonds to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly.

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

DTC AND BOOK-ENTRY ONLY SYSTEM

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APPENDIX F

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“**DTC**”) AND DTC’S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA (THE “**DISTRICT**”) BELIEVES TO BE RELIABLE, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the General Obligation Bonds, Series 2024B (the “**Bonds**”). The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organised under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerised book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to any of the resolutions under which any Bonds is issued. For example, the Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorised by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to

those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption payments and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption payments and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any Bonds at any time by giving reasonable notice to the District and the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

NEITHER THE DISTRICT NOR THE PAYING AGENT IS RESPONSIBLE OR LIABLE FOR THE FAILURE OF ANY DIRECT PARTICIPANTS OR ANY INDIRECT PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR ANY ERROR OR DELAY RELATING THERETO.

Neither the District nor the Paying Agent gives any assurances that DTC, DTC Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal, premium, if any, and interest, with respect to the Bonds, (ii) confirmation of beneficial ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants, or Indirect Participants will serve or act in the manner described in this Official Statement.

All capitalized terms not otherwise defined in this Appendix shall have the meaning ascribed to such term in this Official Statement.